

United States General Accounting Office

GAO

Annual Report to the Chairmen,
House and Senate Committees
on Appropriations



February 1986

STATUS OF OPEN
RECOMMENDATIONS

Improving Operations of
Federal Departments
and Agencies



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Sample Citation

Budget Function — **Natural Resources and Environment**

Budget Subfunction — **Conservation and Land Management**

Title — **Program To Transfer Land Between the Bureau of Land Management and the Forest Service Has Stalled**

Report Number/ Document Date — RCED-85-21, 12/27/84

Background — GAO reviewed the Bureau of Land Management's (BLM) and the Forest Service's implementation of the Jurisdictional Land Transfer Program, which was established in 1980 to identify and evaluate opportunities to transfer the two agencies' land management responsibilities and develop proposed legislation to effect such transfers

Findings — GAO found that BLM and the Forest Service did not meet the milestone dates which they had established for developing the first legislative proposal. In addition, joint field work on the program was suspended in January 1983 because (1) the two agency heads could not agree on the size and scope of potential land transfers to be included in the legislative proposals; and (2) the agencies' field staffs, who were responsible for identifying transfer opportunities and developing potential transfer proposals, frequently did not follow the jointly issued program guidelines. Furthermore, statewide land

pattern goals were not established in four of the five states studied because of a lack of resources, a lack of communication with agency heads, and a lack of coordination between field staffs and their failure to establish a specific goal. Between 1982 and 1983, the agencies' efforts to comply with an administration initiative to identify and sell unneeded federal land also hindered program progress. Finally, GAO found that some field staffs did not consider transfers that would result in the closing of offices or personnel reductions and relocations.

Open Recommendations to Agencies

Once the Jurisdictional Land Transfer Program has been resumed, the Secretaries of Agriculture and the Interior should direct the Chief of the Forest Service and the Director of BLM to instruct their field staffs to adhere to the program guidelines.

Target: Department of Agriculture

Status: Action not yet initiated. Action is pending until the submittal of the legislative package to Congress in January 1986.

Target: Department of the Interior

Status: Action not yet initiated. Action is pending until the submittal of the legislative package to Congress in January 1986.

Once the program has been resumed, the Secretaries of Agriculture and the Interior should direct the Chief of the Forest Service and the Director of BLM to monitor the program's progress to make sure that the guidelines are followed.

Target: Department of Agriculture

Status: Action not yet initiated. Action is pending until the submittal of the legislative package to Congress in January 1986.

Target: Department of the Interior

Status: Action not yet initiated. Action is pending until the submittal of the legislative package to Congress in January 1986.

Recommendations to Agencies

Recommendation Target Agency
(when more than one target)

Status Comments

Recommendation Status



United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

B-205879

The Honorable Jamie L. Whitten
Chairman, Committee on Appropriations
House of Representatives

The Honorable Mark O. Hatfield
Chairman, Committee on Appropriations
United States Senate

This is our annual report summarizing the findings and open recommendations resulting from GAO's audits and other review work in the federal departments and agencies on which satisfactory legislative or administrative actions have not yet been completed. To encourage prompt, responsive action on its recommendations, GAO systematically follows up on them until some final disposition is reached. This report contains information on a total of 1,272 GAO recommendations which were open as of November 22, 1985.

The report summaries are arranged by the budget function categories by which federal funds are appropriated and identified in the President's budget. Two indexes are included. The Congressional/Agency Action Index can be used to identify recommendations requiring action by particular congressional committees or agencies. The Congressional Index lists the titles of the reports under the congressional committees of primary interest.

Details on these findings and recommendations can be found in the individual GAO reports which are cited in this summary. Although copies of those reports were previously provided to both the Congress and the agencies involved, this summary information should be useful to your committees in reviewing budget requests for fiscal year 1987. Please contact our Office of Congressional Relations if you wish us to suggest specific questions to

be asked in appropriations hearings on the items summarized or if you need additional information about any of the specific reports.

We are sending copies of this report to the Office of Management and Budget and the federal departments and agencies so they may be in a position to answer any inquiries made on these issues during the appropriations hearings. Copies are also being provided to other interested congressional committees.



Charles A. Bowsher
Comptroller General
of the United States

Administration of Justice

Justice Can Improve Its Contract Review Committee's Contribution to Better Contracting

GGD-84-97, 09/28/84

Background

Pursuant to a congressional request, GAO evaluated how successful the Department of Justice's Contract Review Committee (CRC) has been in conducting preaward reviews of contracts over \$100,000, sole-source contracts over \$50,000, and potentially controversial contracts.

Findings

GAO found that Justice contracting officials believe that CRC has improved the Justice contracts which it reviewed and improved Justice contracting practices.

CRC found deficiencies in 162 of the 307 contracts it reviewed during fiscal year (FY) 1983, and 93 percent of these deficiencies were subsequently addressed by the procuring organization. GAO noted that the CRC rejection of about 53 percent of the FY 1983 contracts reviewed showed that, despite its efforts, problems still exist with Justice's contracting practices. Further, only 89 percent of the contracts that should have been submitted to CRC were received. GAO concluded that, although there is some concern among contracting officials with CRC operations, it has generally been an effective tool for improving agency contract practices.

Open Recommendations to Agencies

The Attorney General should clarify Justice's policy to delineate the types of contracts that should be submitted to CRC so as to ensure that CRC receives all contracts it should review. These types of contracts should include: (1) letter contracts; (2) purchases of various specific services, such as expert witnesses; (3) exercise of options; and (4) contracts with indefinite dollar amounts estimated to be above the CRC threshold.

Status: Action in process.

Federal Correctional Activities Presentence Evaluations of Offenders Can Be More Responsive to the Needs of the Judiciary

GGD-85-14, 04/09/85

Background

In order to report on how presentence psychiatric evaluations can be improved, GAO reviewed 157 cases where offenders were committed to the Federal Prison System for observation and study and 83 local studies ordered during fiscal year 1981.

Findings

GAO found that the observation and study process has not been as useful as it could be because the Judicial Conference of the United States and the Federal Prison System have not: (1) established criteria for the selection of appropriate cases for observation and study; (2) developed and disseminated guidance on the types of questions that experts can be expected to answer; and (3) established a system

to evaluate whether studies have met the needs of the district courts. GAO found that judges did not provide study objectives and referral questions in 76 of the 157 cases it examined. In addition, GAO found that about 78 percent of all studies ordered in fiscal year 1981 were performed by the Federal Prison System. GAO also found that the average cost of Federal Prison System studies was approximately twice the cost of local studies, and Federal Prison System studies took approximately twice as long to complete. For over 10 years, the Parole Commission has believed that its involvement in the studies for youthful offenders should be terminated. However, the enactment of the Comprehensive Crime Control Act should make a number of changes which should improve the process.

Open Recommendations to Agencies

The Judicial Conference, through the Administrative Office of the U.S. Courts and the Federal Judicial Center, and the Attorney General, through the Federal Prison System, should form a partnership to develop criteria for the selection of cases appropriate for observation and study.

Target: Department of Justice

Status: Action not yet initiated. Justice will not act on this recommendation until the U.S. Sentencing Commission is established.

Target: Judicial Conference of the United States

Status: Action not yet initiated. The Judicial Conference will not act on this recommendation until the U.S. Sentencing Commission is established.

The Judicial Conference, through the Administrative Office of the U.S. Courts and the Federal Judicial Center, and the Attorney General, through the Federal Prison System, should form a partnership to develop and disseminate guidance to district courts on the types of questions that clinical experts can be expected to answer.

Target: Department of Justice

Status: Action not yet initiated. Justice will not act on this recommendation until the U.S. Sentencing Commission is established.

Target: Judicial Conference of the United States

Status: Action not yet initiated. The Judicial Conference will not act on this recommendation until the U.S. Sentencing Commission is established.

The Judicial Conference, through the Administrative Office of the U.S. Courts and the Federal Judicial Center, and the Attorney General, through the Federal Prison System, should form a partnership

to establish a system for regular evaluation of whether the studies performed for the district courts are responsive to their needs.

Target: Department of Justice

Status: Action not yet initiated. Justice will not act on this recommendation until the U.S. Sentencing Commission is established.

Target: Judicial Conference of the United States

Status: Action not yet initiated. The Judicial Conference will not act on this recommendation until the U.S. Sentencing Commission is established.

Federal Law Enforcement Activities

U.S. Marshals Can Serve Civil Process and Transport Prisoners More Efficiently

GGD-82-8, 04/22/82

Background

GAO examined the operations of the U.S. Marshals Service and evaluated the Marshals Service's efforts to serve civil process for private litigants and to transport federal prisoners between judicial districts.

Findings

Marshals have been required by law to serve civil process when directed by the courts. Civil process is served and fees are charged in accordance with judicial rules and federal statutes which are causing the process-serving function to be uneconomical and inefficient. Rule 4 of the Federal Rules of Civil Procedure governs the service of process and causes marshals to be excessively involved with the performance of this function. It also

restricts the use of an efficient method of service for summonses and complaints, certified mail. Although recent changes have been made to rule 4 to broaden the range of people with blanket authorization to serve civil process and the ability of courts to specifically appoint persons to serve civil process, these changes have not had a significant impact. Rule 4 allows the use of certified mail to serve summonses and complaints to individuals, business concerns, and unincorporated associations. However, most states do not specifically allow the routine use of certified mail to serve civil summonses and complaints. GAO found that certified mail was an effective and efficient method of service and did not hamper court operations. In an effort to reduce the cost of transporting federal prisoners across federal judicial district boundaries, the National Prisoner Transportation System was developed. However, it is not being

used to its full potential which results in unnecessary transportation costs and danger to the public.

Open Recommendations to Congress

Congress should revise 28 U.S.C. 1921 to give the Attorney General authority to periodically revise the fees that marshals charge for serving civil process for private litigants in federal court.

Status: Action in process.

Congress should require that the established fees provide full recovery of marshals' actual operating costs to serve private civil process exclusive of the costs incurred to serve process for indigents.

Status: Action in process.

Federal Law Enforcement Activities

A Strategy Is Needed To Deal With Peaking Problems at International Airports

GGD-83-4, 03/24/83

Background

In response to a congressional request, GAO examined how rescheduling international flight arrivals might ease the problems caused by multiple arrivals within a short time period and the effect of multiple arrivals on the federal inspection process. Assuming no change in the federal agencies' staffing levels, GAO developed a computerized simulation program which attempted to spread out flight arrivals at the Honolulu Airport without violating any airport's curfew and gave some consideration to travelers' preferences for arrival and departure times.

Findings

GAO found that, under its alternative simulated flight arrival schedule, the average time spent waiting to complete the airport inspection process could be reduced by approximately 50 percent. Over 99 percent of the passengers could be processed within an hour. Currently,

only 48 percent of the arriving passengers are processed within that time. The impact of schedule changes on aircraft and crew utilization and connecting flights is unknown; however, the analysis indicated that rescheduling may not need to be extensive to produce a sharp drop in the length of time a traveler waits to enter the country. The need for rescheduling would also be affected by the extent to which other alternatives could be used to speed the entry of travelers. Foreign airports have successfully rescheduled flights to reduce airport congestion problems. In addition, the Federal Aviation Administration began to use scheduling controls on a limited basis to keep the air carriers' landing and departure rights during peak periods in line with takeoff and landing capacity at certain congested domestic airports. GAO found that the landing rights policies and procedures of the Customs Service have not been effective and have come under increasing attack by the air carriers as being arbitrary and discriminatory. Customs has considered several alternative procedures but none have been adopted.

Open Recommendations to Agencies

The Secretary of the Treasury, in cooperation with the other federal inspection agencies, should establish criteria for identifying the existence of peaking problems at airports, based primarily on the number of international travelers that can be efficiently and timely handled by the federal inspection system, as currently configured or potentially enhanced.

Status: Action in process. Estimated completion date: 12/85

The Secretary of the Treasury should develop a strategy to deal with the problems of peaking. Such strategy should include an assessment of alternatives including controlling the timing of flight arrivals if timely entry of travelers cannot be improved through other alternatives. Further, the Secretary, in conjunction with the airlines and other concerned federal agencies, should reconsider the procedures for allocating landing rights.

Status: Action in process. Estimated completion date: 08/86

Federal Law Enforcement Activities

Better Care and Disposal of Seized Cars, Boats, and Planes Should Save Money and Benefit Law Enforcement

PLRD-83-94, 07/15/83

Background

GAO reported on the government's storage, care, and use of vehicles, vessels, and aircraft that are seized and forfeited for transporting controlled substances and illegal aliens.

Findings

GAO found that seized conveyances are normally held by law enforcement agencies for prolonged periods awaiting forfeiture to the government, during which time they receive little care, maintenance, or protection. GAO noted that, when the conveyances are sold, they

often sell for only a fraction of their appraised value at seizure, largely because of their poor condition and ineffective sales practices. Further, if the agencies acquire the forfeited conveyances for their official use, they usually have high start-up and continual repair costs. GAO also noted that storage problems with seized property have periodically hindered law

enforcement efforts. GAO concluded that these problems, if not resolved, will likely become more extensive as the use of seizure as a means of fighting crime increases.

Status: Action in process.

Open Recommendations to Congress

Congress should enact legislation to: (1) raise or remove the administrative forfeiture limit for conveyances transporting illegal narcotics, other forms of prohibited merchandise, and illegal aliens; (2) establish special funds from the proceeds of forfeited conveyances seized by the Customs Service, the Drug Enforcement Administration, and the Immigration and Naturalization Service to enable these agencies, in such amounts as provided in annual congressional appropriations acts, to adequately inventory, store, protect, and maintain seized property and to properly clean, repair, and advertise the property for increased sales revenue; and (3) require agencies to report to Congress the number and value of conveyances that are retained for use or that are exchanged or sold to obtain new conveyances so they can be easily monitored.

Open Recommendations to Agencies

The Secretary of the Treasury and the Attorney General should: (1) establish information systems to measure the effectiveness of their agencies' management of seized property, including forfeiture timeframes, conveyance values at seizure, appraisal source, sales return, sales return as a percent of seizure valuation, storage and maintenance costs, and incidents of deterioration, vandalism, and theft; and (2) institute policies that require property managers to consider the costs of property devaluation and lower sales returns in addition to the direct costs for security, storage, and maintenance, when determining the extent and quality of care to be provided for seized property.

Target: Department of the Treasury

Status: Action in process.

Target: Department of Justice

Status: Action in process.

The Secretary of the Treasury, to reduce the Customs Service's lengthy forfeiture process, should: (1) adopt procedures for notifying owners that their property has been seized and requesting that titles and contracts be submitted with the petitions for return of the property; (2) require petitioners seeking return of seized property to state the basis on which such claims are made, provide available evidence to support such claims, and provide proof of ownership or interest to assist the agency in conducting its investigations; (3) reduce the timeframes for petitioners to post claims and for Customs to investigate petitions; and (4) reduce the review levels for property valued over \$25,000.

Status: Action in process.

The U.S. Marshals Service should continue to seek court procedure changes that will appoint the Customs Service as the substitute custodian for the property it seizes to reduce staff time and unnecessary expenditures and to increase sales proceeds.

Status: Action in process.

Federal Law Enforcement Activities Selling Abandoned Merchandise: How the U.S. Customs Service Could Increase Revenues

GGD-83-79, 09/30/83

Background

GAO evaluated the U.S. Customs Service's program for the disposal of merchandise which was abandoned for more than a year by importers and stored by Customs in public or private warehouses.

Findings

GAO found that Customs could increase the net sale proceeds of its auctions of abandoned merchandise by revising procedures and strengthening program controls. A review of five auctions showed

that: (1) a shorter storage period would have reduced storage expenses and increased net revenues by \$71,131 if the merchandise could have been sold 6 months sooner, or \$94,093 if it could have been sold 9 months sooner; (2) additional storage costs of \$335,870 were incurred because merchandise was not removed from storage when the 1-year storage period expired because of staff shortages; and (3) additional duties of about \$8,060 could have been realized if Customs had better implemented existing procedures for collecting and disposing

of proceeds from the sale of bonded merchandise.

Open Recommendations to Agencies

The Secretary of the Treasury should draft and submit legislation to amend section 491(a) of the Tariff Act of 1930, 19 U.S.C. 1491(a), to reduce the 1-year period that unclaimed imported merchandise must remain in Customs' custody before it is considered abandoned by the government.

Status: Action in process.

Federal Law Enforcement Activities

Justice Needs Better Controls Over Payment of Witness Fees

GGD-84-61, 07/12/84

Background

GAO reviewed how three U.S. attorney's offices and three U.S. Marshals Service offices manage the use of and payments to fact witnesses and to experts who testify at trials or in nontrial activities.

Findings

GAO found that Department of Justice policy regarding the approved use of and payments to fact witnesses is not being followed, and fact witness payments are being processed and paid by the U.S. marshals offices without proper certification. Further, payments to some expert witnesses are not in compliance with Justice guidelines. Regarding expert consultants who assist with nontrial activities, no clear Justice guidance exists to help U.S. attorneys and marshals in calculating their compensation.

Open Recommendations to Agencies

The Attorney General should direct the Justice Management Division to develop guidance for U.S. attorneys and marshals to use in negotiating fees and making payments to experts who are used in nontrial activities.

Status: Action in process.

The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that all fact witness claims must be properly completed before payments are made and must include approved certifying signatures.

Status: Action in process.

The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that departmental approval must be obtained prior to obtaining the services of expert witnesses.

Status: Action in process. Estimated completion date: 01/86

The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that expert witnesses must be paid only by the Justice Management Division.

Status: Action in process.

The Attorney General should emphasize the need to comply with approval and payment policies by directing U.S. attorney's and U.S. marshals offices personnel that fees paid to experts used for nontrial purposes must be in compliance with Justice policies once they are promulgated.

Status: Action in process.

The Attorney General should require personnel of the U.S. attorney's and U.S. marshals offices to make supervisory reviews of payments to fact witnesses to ensure they are accurate and comply with Justice guidelines.

Status: Action in process.

The Attorney General should require personnel of the U.S. attorney's and U.S. marshals offices to routinely notify fact witnesses of their entitlements and provide each of them a copy of the Justice form OBD-2 before they make their travel arrangements.

Status: Action in process.

Federal Law Enforcement Activities

Opportunities for Immigration and Naturalization Service To Improve Cost Recovery and Debt Collection Practices

GGD-84-86, 07/13/84

Background

GAO reviewed selected revenue-producing activities of the Immigration and Naturalization Service (INS) to determine whether INS is recovering the costs of services provided to identifiable recipients. GAO also determined how ef-

fective INS has been at collecting debts owed the government.

Findings

GAO found that, as of September 1983, INS had delinquent accounts receivable amounting to more than \$118 million. Although INS recognizes the need to more

fully recover costs and improve collection activities and has taken some corrective actions, it has missed opportunities. INS can more fully recover costs for certain services provided to the airlines and for certain fees related to applications for immigration benefits. Also, INS can more effectively and aggressively bill for and collect debts owed the government.

Open Recommendations to Agencies

The Attorney General should direct the Commissioner of INS to: (1) review fees annually and adjust them in accordance with Office of Management and Budget requirements; (2) review the adequacy of the \$25 maximum charge for private aircraft and vessel inspection and, if appropriate, propose legislation to increase it; and (3) work with the Executive Office for Immigration Review on implementing proposed fees for appeals.

Status: Action in process.

The Attorney General should direct the Commissioner of INS to establish controls to ensure that debts owed the government

are promptly identified, recorded, and billed.

Status: Action in process.

The Attorney General should direct the Commissioner of INS to establish debt ceilings and a system to track debt levels and bond coverage nationwide, by company, to ensure that bond amounts are adequate to cover the total potential loss from company default.

Status: Action in process.

The Attorney General should direct the Commissioner of INS to require that bonds from airlines cover liquidated damages as well as fines.

Status: Action in process.

The Attorney General should direct the Commissioner of INS to demand payment from surety companies for breached immigration bonds and delinquent debts owed by carriers and, through the Department of the Treasury, pursue decertification of surety companies that fail to pay.

Status: Action in process.

The Attorney General should direct the Executive Office for Immigration Review to work with INS in implementing proposed fees for appeals.

Status: Action in process.

Federal Litigative and Judicial Activities Inconsistencies in Administration of the Criminal Justice Act

GGD-83-18, 02/08/83

Background

GAO reviewed the implementation of the Criminal Justice Act to determine the adequacy of the guidelines and directives provided to the district courts for implementing the act, the consistency with which the act is being implemented, and the adequacy of financial controls over funds provided by the act.

Findings

The act enables the government to provide legal representation for defendants in federal criminal cases who are not financially able to obtain representation. The government provides for this legal representation either through a federally employed public defender, a community defender organization, or a private court-appointed attorney. In the absence of clear guidance from the Judicial Conference, each judicial district

and often individual judges have had to devise their own policies for administering the act. As a result, there is no assurance that defendants are receiving adequate representation, and determinations of defendants' financial ability to reimburse for attorneys' fees are inconsistent. Further, GAO found a wide range of criteria used for selecting attorneys to represent criminal defendants. Many convicted defendants who were not required to reimburse the government for legal expenses were in a similar or better financial condition than those convicted defendants ordered to reimburse. To date, the Judicial Conference has not provided the district courts with specific guidance concerning the reimbursement of panel attorneys fees by defendants; ensured that panel attorneys adhere to guidelines requiring them to submit well documented claims for compensation; or ensured that the most efficient system for disbursing grant funds to community

defender organizations is used. The Judicial Conference has legislation pending in Congress that would increase the maximum attorney fee levels and provide it the authority to establish maximum hourly attorney fee rates.

Open Recommendations to Congress

To eliminate the inconsistent interpretation regarding the legality of making reimbursements a condition of probation and to enhance the collection of reimbursements from convicted defendants, Congress should amend the Probation Act to specifically allow reimbursements, when the court has determined that a defendant has the ability to repay court-appointed counsel, to be made a condition of probation.

Status: Action not yet initiated.

Federal Litigative and Judicial Activities Greater Oversight and Guidance of Bankruptcy Process Needed

GGD-84-55, 08/21/84

Background

GAO reviewed the activities of bankruptcy trustees in eight judicial districts to determine whether the interests of debtors and creditors are being protected during the administration of cases under chapters 7 and 13 of the Bankruptcy Reform Act. Chapter 7 of the act provides for the liquidation of a debtor's nonexempt assets; chapter 13 provides a debtor with the opportunity to retain his assets and repay his creditors over a set period of time.

Findings

In the chapter 7 cases reviewed, GAO found that: (1) liquidated assets were frequently deposited in non-interest-bearing accounts for several months; (2) some trustees who were appointed by the court to act as their own attorneys were being paid attorney fees for performing trustee duties; and (3) the minimum dollar limits used to determine whether to liquidate or abandon assets varied widely among trustees. GAO found that chapter 13 trustees, in four of the eight courts visited, improperly claimed and received compensation and expenses above the 10-percent ceiling set by the act. GAO believes that, if the judiciary and the Department of Justice would monitor trustee activities

more closely and provide detailed procedural guidance to bankruptcy trustees, debtors and creditors could more fully realize the benefits of the bankruptcy process.

Open Recommendations to Agencies

The Attorney General and the Director, Administrative Office of the U.S. Courts, should require trustees to invest estate funds to reduce the cost of estate administration and provide the maximum return to creditors.

Target: Department of Justice

Status: Action in process.

Target: Administrative Office of the United States Courts

Status: Action in process.

The Attorney General and the Director, Administrative Office of the U.S. Courts, should instruct trustees that, if they act as their own attorneys, they will not be reimbursed for attorney fees when they perform trustee duties.

Target: Department of Justice

Status: Action in process.

Target: Administrative Office of the United States Courts

Status: Action in process.

The Attorney General and the Director, Administrative Office of the U.S. Courts, should require U.S. trustees and estate administrators to scrutinize the trustees' billing statements and to advise bankruptcy judges of the appropriateness of the services rendered.

Target: Department of Justice

Status: Action in process.

Target: Administrative Office of the United States Courts

Status: Action in process.

The Attorney General and the Director, Administrative Office of the U.S. Courts, should require U.S. trustees and estate administrators to closely monitor chapter 13 trustees' annual financial reports to ensure that trustees are not exceeding the maximum compensation and expense levels. In addition, monitoring activities should be supplemented by having the internal audit staffs of Justice and the judiciary review the financial activities of bankruptcy trustees.

Target: Administrative Office of the United States Courts

Status: Action in process.

Agriculture

The Role of Marketing Orders in Establishing and Maintaining Orderly Marketing Conditions

RCED-85-57, 07/31/85

Background

GAO reviewed 9 marketing orders that cover 11 agricultural commodities to: (1) address controversies surrounding the marketing order program and the effect of each individual type of marketing order tool on commodity supplies; (2) determine emerging trends in the use of marketing orders; and (3) assess the Agricultural Marketing Service's (AMS) administration of the marketing order program. Under the program, AMS helps commodity producers collectively work out solutions to supply and demand problems that individual producers are unable to resolve.

Findings

Critics of marketing orders contend that: (1) economic efficiency is enhanced when commodity prices and availability are determined in competitive markets; and (2) marketing orders undermine efficiency by artificially and excessively raising commodity prices higher than free market conditions would allow. Proponents of marketing orders argue that they reduce

supply imbalances for perishable commodities in markets that are volatile if unregulated. GAO found that: (1) the marketing orders for hops and spearmint oil restrict new growers from entering the marketplace, and the marketing order for lemons typically results in waste; (2) while most marketing orders regulate the entry of products into the market, both producers and consumers benefit from the restrictions; (3) controls governing the quality of commodities encourage producers to improve products and assure consumers that their products meet minimum quality standards; (4) for 10 of the 11 commodities studied, competitive forces are sufficient to limit price increases; and (5) the current trend in marketing order operations is a shift from controlling supply to enhancing demand using a mixture of research, development, and advertising tools. In addition, GAO found that: (1) AMS plays a limited role in industry education; (2) the program operations manual for marketing orders has not been updated since 1966 and does not address the shift to marketing orders designed to enhance demand; and (3) AMS has no criteria to measure marketing system performance.

Open Recommendations to Agencies

The Secretary of Agriculture should require the Administrator of AMS to develop and apply criteria for measuring the performance of individual marketing orders and make the results available so that Department of Agriculture decisionmakers and other interested parties can appropriately judge the merits and shortcomings of marketing orders.

Status: Action in process.

The Secretary of Agriculture should direct the Administrator of AMS to update and keep current the operations manual for marketing orders. The manual should: (1) incorporate the criteria for measuring the program's principal objective of creating and maintaining orderly marketing; (2) incorporate legislative and administrative policy and guideline changes, including 1982 and 1983 marketing order guidelines; and (3) focus on ways to develop market-oriented programs that can improve the quality and variety of available products.

Status: Action in process. Estimated completion date: 09/86

Internal Control Improvements Needed in Agriculture's Miscellaneous Payments System

AFMD-85-66, 09/19/85

Background

GAO reviewed the Department of Agriculture's (USDA) National Finance Center's (NFC) miscellaneous payments system to assess the: (1) adequacy of inter-

nal controls for ensuring the accuracy and reliability of payment transaction processing; and (2) controls for ensuring the system's compliance with Comptroller General requirements pertinent to payment systems.

Findings

GAO found that: (1) key internal control objectives for the system were not being met because field agency and NFC internal control techniques were inadequate or not followed; (2) internal con-

scope and extent of inspections. GAO found that, in some ways, regulations and instructions do not conform with the system's revised procedures. GAO and Food Safety and Inspection Service (FSIS) officials found that most inspectors cited the need for periodic training and better communication between inspectors from different ports as a way of standardizing inspections. Despite the apparent improvement in plant conditions, program changes are needed to better ensure that products are imported only from countries and plants meeting U.S. requirements. Recognizing the need for increased attention to foreign programs' regulatory comparability, FSIS is devel-

oping a new systems approach for improving and monitoring foreign inspection systems. GAO believes that the new system should improve FSIS ability to assess these risks.

Open Recommendations to Agencies

The Secretary of Agriculture should direct FSIS to develop criteria for distinguishing among minor, major, and critical defects in canned packaged meat products.

Status: Action in process. Estimated completion date: 12/85

The Secretary of Agriculture should direct FSIS to develop a more systematic and objective way of compiling the results of plant reviews, using a statistically selected sampling of plants as a basis for appraising management of the overall effectiveness of foreign inspection systems in ensuring compliance with U.S. requirements. Periodic reviews of plants outside the sample should be made at least annually for considering such factors as volume of exports and rejections at U.S. ports. Plants not exporting to the U.S. should not be reviewed.

Status: Action in process. Estimated completion date: 12/86

Agricultural Research and Services USDA's Oversight of State Meat and Poultry Inspection Programs Could Be Strengthened

RCED-84-23, 10/21/83

Background

In response to a congressional request, GAO reviewed the Department of Agriculture's (USDA) oversight of state meat and poultry inspection programs to determine whether USDA certification procedures conform to the authorizing legislation and to evaluate the methods used in special USDA internal review studies of state inspection effectiveness. In addition, GAO summarized the results of USDA ratings of state-inspected plants to identify trends and the relative standings of state programs from 1980 through 1982.

Findings

Federal legislation gives USDA discretion in determining whether state programs

are equal to the federal program. GAO believes that USDA certification procedures are reasonable and consistent with legislative requirements. However, GAO identified several ways of making the certification procedures more effective. The Food Safety and Inspection Service (FSIS) has proposed substantial changes to its state program review guidelines which, if implemented, would establish a specific policy regarding frequency and scope of state-inspected plant followup visits. However, GAO believes that other proposed changes would strengthen federal evaluations of state programs. The basic methods used in an FSIS internal review to determine how state-inspected review results compared with the results

of federally inspected plant review were sound, but GAO could not determine whether the results were valid.

Open Recommendations to Agencies

The Secretary of Agriculture should instruct the Administrator, FSIS, to include this area in all regular reviews of circuit operations made by the review and evaluation staff. The Administrator likewise should include this area in similar reviews of regional operations should such reviews be implemented on a regular basis in the future.

Status: Action in process. Estimated completion date: 12/85

Agricultural Research and Services

The Department of Agriculture's Animal Welfare Program

RCED-85-8, 05/16/85

Background

Pursuant to a congressional request, GAO studied the Department of Agriculture's (USDA) activities under the Animal Welfare Act, which authorizes USDA to inspect the premises of animal dealers, research facilities, exhibitors, and carriers to ensure the humane care and treatment of animals. GAO focused on: (1) training and guidance given to USDA inspectors; (2) frequency and scheduling of inspections; (3) corrective actions that USDA takes when violations are discovered; (4) inspection monitoring and statistics; and (5) allocation of available funding.

Findings

GAO found that: (1) written guidance for animal inspectors comes from animal

welfare standards in the Code of Federal Regulations; (2) many of the inspectors and regional officials interviewed thought that training was inadequate; (3) the Animal and Plant Health Inspection Service (APHIS), which is responsible for animal inspections, does not have a formal scheduling system for inspections; (4) many facilities were not inspected at all during 1983 because of funding constraints and inadequate staff resources; and (5) while APHIS offices generally complied with policies governing timely corrective actions, there were instances where APHIS did not reinspect violators or failed to properly process corrective actions. GAO also found that: (1) while APHIS has delegated inspection quality assurance functions to its area offices, it has not specified a system or procedure for carrying out such functions; (2) in-

spection statistics compiled by APHIS for management activities and its annual report were not consistent with statistics maintained by its area offices; and (3) the way in which APHIS allocated funds to area offices for inspections led to a wide variance in inspection frequencies among area offices.

Open Recommendations to Congress

If Congress decides to continue funding the animal welfare program, it should consider requiring the Secretary of Agriculture to recover more of the cost of the program from licensees, taking into account what the impact of any increases might be on them.

Status: Action not yet initiated.

Farm Income Stabilization

Changes Are Needed To Assure Accurate and Valid Wheat Deficiency Payments

RCED-83-50, 03/29/83

Background

GAO reviewed the Department of Agriculture's (USDA) system for making deficiency payments to wheat farmers. These payments are designed to supplement eligible wheat farmers' income in the years when wheat prices are low.

Findings

Farmers participating in the wheat crop program receive deficiency payments from USDA based on the difference between a target price and the lower national average market price of wheat. GAO believes that changes are necessary to ensure that accurate and valid pay-

ments are being made. Under the current system, overpayments or underpayments to farmers could be caused by: (1) inaccurate data which are used to establish the national average market price; (2) procedures used to determine production for the purpose of computing program payment amounts which overstate farmers' actual production; and (3) the imprecise method being used to calculate yields for farmers submitting evidence of actual production.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator of the Agricultural

Stabilization and Conservation Service (ASCS) to: (1) develop an acceptable adjustment for the deficiency payment program that properly accounts for the unharvested acreage on which payments are made; and (2) conduct a comprehensive analysis of the crop yield distributions to determine the extent to which program yields are inadequately assigned and develop crop yield frequency distributions for counties or similar areas to assist county committees in assigning yields to individual farms.

Status: Action in process.

control weaknesses significantly increased the vulnerability of the system to transaction data errors and unauthorized payment transactions; and (3) transaction data errors could undermine the system's effectiveness in complying with Comptroller General standards for accuracy in processing and financial reporting. GAO also found that: (1) control improvements were needed at the field-certifying-officer level to ensure the accuracy of system transaction data; (2) improvements were needed in NFC data entry activities to ensure the accuracy of data processed; (3) NFC needs to discontinue bypassing a system designed to ensure proper reporting; (4) NFC needs to increase the scope of its payment transaction audits to better ensure that errors not detected are identified; (5) NFC needs to better control sensitive codes used by the system

to assist in ensuring that only authorized transactions are processed; and (6) internal procedures need to be updated for the payments system.

Open Recommendations to Agencies

The Secretary of Agriculture should instruct the Assistant Secretary for Administration to direct the Office of Finance and Management Director to establish a procedure for periodically analyzing reasons for system edit rejections by source so that appropriate actions to obtain improvements can be initiated.

Status: Action in process.

The Secretary of Agriculture should instruct the Assistant Secretary for Administration to direct the Office of Finance and Management Director to increase the number of essential miscellaneous payments system data fields for which rekeying is performed by data entry clerks to ensure accuracy, at least on a selective transaction basis.

Status: Action in process.

The Secretary of Agriculture should instruct the Assistant Secretary for Administration to direct the Office of Finance and Management Director to require that audits of miscellaneous payment vouchers include verification of critical transaction data fields to field supporting documentation.

Status: Action in process.

Agricultural Research and Services Progress Made in Federal Human Nutrition Research Planning and Coordination; Some Improvements Needed

CED-82-56, 05/21/82

Background

In response to a congressional request, GAO reported on the planning and coordination of federally supported human nutrition research.

Findings

Considerable progress has been made within and among federal human nutrition research departments and agencies since Congress called for improved coordination in the Food and Agriculture Act of 1977. The Office of Science and Technology Policy (OSTP) has been a major contributor to, and a catalyst for, improved coordination of nutrition research and has set the groundwork for developing an improved federal coordinated nutrition research planning system. The Department of Agriculture (USDA) and the Department of Health and Human Services have established nutrition coordinators

and policy and coordination groups to deal with crosscutting nutrition issues. GAO believes that these coordination efforts should be continued and maintained as some of the federal departments reorganize or revise their nutrition research programs. Coordination within USDA is critically needed because of the recent decentralization of its nutrition information functions from its nutrition research functions. Nutrition research departments and agencies need to more clearly plan their research efforts with others through a federal nutrition research plan. An OSTP report on human nutrition research is a first step toward developing such a plan, but the six areas discussed in the report should be developed and expanded into a single research plan which would include an assessment of needs, priorities, and strategies. Existing agency nutrition research plans are either too narrow in

scope or are missing certain key planning components.

Open Recommendations to Agencies

The Director of OSTP should direct the OSTP Joint Subcommittee on Human Nutrition Research to develop a federal nutrition research plan by updating and expanding its December 1980 report on federally supported human nutrition research. In updating the report, the Subcommittee and the federal departments and agencies should work together to develop specific goals, objectives, and strategies and to identify the responsibilities of the federal departments and agencies and the required resources and timeframes to accomplish the research goals.

Status: Action in process. Estimated completion date: 01/86

Agricultural Research and Services

Federal Regulation of Meat and Poultry Products—Increased Consumer Protection and Efficiencies Needed

RCED-83-68, 05/04/83

Background

GAO reviewed the Department of Agriculture's (USDA) Food Safety and Inspection Service's (FSIS) regulation of processed meat and poultry products. The review was made to determine whether: (1) standards have been developed to help ensure consumers of the uniformity and consistency of products; (2) products are properly labeled; and (3) sampling procedures are efficient and effective.

Findings

Products made with mechanically separated meat (MSM) and poultry (MSP) contain some pulverized bone, bone marrow, and certain potentially harmful minerals. Consequently, to protect the public, FSIS established specific standards and labeling requirements on MSM. Although a USDA study has shown that similar health and safety problems exist for MSP, FSIS has not established specific requirements for these products. Because MSM is different from hand-separated meat in that it contains higher amounts of calcium and cholesterol, FSIS established product standards and labeling requirements to prevent MSM products with

misleading labels from being sold to consumers. However, similar action has not been taken to protect consumers from products produced with MSP. In a related issue, FSIS has also established standards on the maximum fat and added water that cooked meat sausage products can contain to ensure the products' nutritional quality, but similar standards on cooked poultry sausage products have not been established. To ensure product compliance, FSIS took three types of samples on processed meat products; however, GAO believes that changes could be made in each type of sample to improve efficiency and consumer protection.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator, FSIS, to establish specific standards on MSP and labeling requirements on products made with MSP, as has been done for MSM and products made with MSM.

Status: Action in process. Estimated completion date: 07/86

The Secretary of Agriculture should direct the Administrator, FSIS, to establish standards on the maximum fat and added water that cooked poultry and sausages can contain, and appropriate sampling procedures to measure compliance with the standards.

Status: Action in process. Estimated completion date: 07/86

The Secretary of Agriculture should direct the Administrator, FSIS, to reduce verification sampling at plants with partial quality control systems that have good histories of compliance and reduce split sampling at plants that have accredited laboratories with good histories of compliance.

Status: Action in process. Estimated completion date: 03/86

The Secretary of Agriculture should direct the Administrator, FSIS, to enforce its procedures on investigating and resolving major discrepancies on split-sample results between FSIS field laboratories and the accredited laboratories.

Status: Action in process. Estimated completion date: 03/86

Agricultural Research and Services

Improved Management of Import Meat Inspection Program Needed

RCED-83-81, 06/15/83

Background

GAO reviewed the Department of Agriculture's administration of its import meat and poultry inspection program.

Findings

GAO found that, at the 10 highest volume ports where variances in the quantities of meat rejected ranged from 0.1 to 1.5 percent, procedures for controlling, sampling, and inspecting meat products differed because of: (1) regulations and instructions

which were generally outdated, unclear, and inconsistent; (2) a lack of adequate supervision and training of inspection personnel; and (3) workload imbalance. The Automated Import Information System compiles inspection-result histories for countries and foreign plants. These histories are the basis for assigning the

Farm Income Stabilization Improved Administration of Special Surplus Dairy Product Distribution Program Needed

RCED-84-58, 03/14/84

Background

In response to a congressional request, GAO reviewed the Department of Agriculture's (USDA) program for distributing surplus dairy products to the needy. Specifically, GAO was asked to determine whether program administration adequately ensured that products were provided only to the needy and to develop estimates on the extent to which donated products displaced commercial sales.

Findings

GAO believes that the absence of national program guidelines on key issues, such as the target population to be served and controls to ensure that participants are eligible, contributed to widely varying programs among the states and, in some cases, among localities. GAO found that: (1) three of the eight states studied

had not established any needs tests for program participants; (2) distribution frequencies and quantities of products made available to participants varied; (3) controls over the distribution of products were generally inadequate; and (4) until April 1983, when the quantities of products made available were cut back, the states were able to order virtually unlimited amounts of dairy products. As a result, abuses occurred and displacement of commercial sales was greater than necessary. Legislation enacted in September 1983 required the establishment of program criteria and required USDA to: (1) provide commodities in quantities which can be used without waste; (2) ensure that the commodities provided do not displace commercial sales; and (3) minimize the paperwork requirements imposed on distribution agencies. To the extent that products given away displace commercial sales, they increase market

surpluses which USDA is obligated to purchase under the Dairy Price-Support Program and increase USDA inventories of dairy products. GAO estimated that about 31 percent of the cheese distributed from December 1981 to April 1983 in the eight states would have displaced commercial sales of cheese.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the FNS Administrator to ensure that the final regulations issued by FNS minimize program abuse by requiring states to develop reasonable program controls. Such controls should, at a minimum, require program participants to provide identification and evidence of eligibility.

Status: Action in process.

Farm Income Stabilization More Attention Needed in Key Areas of the Expanded Crop Insurance Program

RCED-84-65, 03/14/84

Background

GAO reviewed actuarial practices of the Federal Crop Insurance Corporation (FCIC), the rates at which private sector companies are compensated for selling and servicing crop insurance, and the distribution of gains and losses on crop insurance sold by private companies and reinsured by FCIC.

Findings

Congress has expressed concern regarding FCIC progress in implementing the

Federal Crop Insurance Act of 1980, the effectiveness of program changes when insurance losses in 1981 and 1982 are considered, and the annual increases in FCIC appropriation requests. GAO found that, following enactment of the legislation, FCIC made substantial progress in expanding the program and involving the private sector in selling and servicing crop insurance. However, FCIC did not give appropriate attention to ensure that its insurance was actuarially sound, did not carefully evaluate its actions involving the private sector, nor make a detailed cost study when it established

the compensation rates for the private sector companies' sales and service activities. Under the expanded reinsurance program, private insurance companies obtain reinsurance coverage from FCIC as protection against part of the risk of insuring crops. Allowed annual revisions to the standard reinsurance agreement have resulted in increased costs and risks to FCIC. GAO noted that FCIC has initiated numerous actions that should improve the insurance paperwork submitted by independent insurance agents and taken steps to develop a comprehensive quality

control program and a plan for an independent audit of the reinsured companies.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to moderate any further expansion so that it will not detract from the actuarial division's ability to update the crop insurance offers.

Status: Action in process.

The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to correct any inaccuracies that may be found in the recently established county insurance offers of FCIC and, if necessary, correct its older county insurance offers that may be inappropriate in light of the increased risk that may be associated with implementing the legislative requirements for higher coverages.

Status: Action in process.

The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to give increased attention to completing actuarial reports depicting crop year 1980 and 1981 insurance experiences in order that the review and updating of the FCIC crop insurance programs might be expedited.

Status: Action in process.

The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to consider the potential for obtaining actual crop yield data and using such data to establish homogeneous risk groups and the proper relationships among each group's yields and risk rates.

Status: Action in process.

The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to evaluate the rates established for compensating the private sector in relation to the current or expected premium base and the private sector's costs to provide

such services; the rate structure should, if warranted, be adjusted to provide reasonable compensation to the private sector for its services and, at the same time, be cost-effective to the federal government.

Status: Action in process.

The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to moderate further expansion of the reinsurance program until the operation of the current program can be evaluated to ensure that it is cost-effective for both the government and the insurance companies.

Status: Action in process.

The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to tailor the reinsurance agreements to each company's area of operation and base the gain and loss formula on the loss experience for the geographic area in which the company operates.

Status: Action in process.

Farm Income Stabilization

Department of Agriculture's Acquisition and Distribution of Commodities for Its 1983 Payment-in-Kind Program

RCED-84-137, 09/25/84

Background

Pursuant to a congressional request, GAO reviewed the Department of Agriculture's (USDA) Payment-in-Kind (PIK) program, which compensates farmers who withhold production of any of five types of commodities with certain amounts of the crops they would otherwise have harvested.

Findings

GAO found that, in 1983, producers idled about 48 million of the 212 million acres USDA had expected to be planted in the five PIK commodities. USDA did not have enough of four of the commodities and purchased additional quantities from

producers with outstanding Commodity Credit Corporation (CCC) loans. Such producers forfeited a portion of the crops they had used for loan collateral in return for forgiveness of their loans and the right to retain a percentage of the collateral. USDA used competitive bidding to select bids from the producers who retained the lowest percentage of their collateral. GAO also found that, in most cases, USDA met its PIK obligations by providing acceptable commodities in a timely manner. However, USDA could have spent less money to acquire PIK commodities from CCC debtors by using a unit cost approach to bidding. GAO estimated that USDA could have saved between \$58 million and \$256 million using a unit cost approach because USDA did

not consider the varying rates at which CCC loaned money to producers. In addition, GAO found that USDA positioned about 1 percent of the total commodities exchanged in localities where they were not needed for the program.

Open Recommendations to Agencies

Because comparing bids on a unit cost basis will allow USDA to acquire commodities at the lowest cost, the Secretary of Agriculture should use the unit cost approach in future acquisitions of commodities held as loan collateral.

Status: Action in process.

Farm Income Stabilization Effects and Administration of the 1984 Milk Diversion Program

RCED-85-126, 07/29/85

Background

In November 1983, Congress authorized a temporary milk diversion program to: (1) stabilize the supply and demand for milk; and (2) reduce the cost to the government of dairy price supports. GAO reviewed the program to: (1) determine how milk producers decided whether to participate; (2) estimate the program's effect on milk production and government dairy purchases; and (3) evaluate the Department of Agriculture's (USDA) effectiveness in administering the program.

Findings

GAO found that: (1) the program tended to attract producers who decreased production after the selected base period

and not to attract producers who increased production; (2) while program participants agreed to reduce production by 9.4 billion pounds during the program, 2.2 billion pounds of the reduction occurred before the program's inception; (3) USDA paid a total of \$955 million to program participants, of which \$220 million was attributable to the reductions that occurred before the program's inception; and (4) production could increase from 1 to 3 percent after the program's expiration. In addition, GAO found that USDA has had difficulty administering the program because: (1) program participants can circumvent their agreements with USDA by selling milk outside normal marketing channels or crediting other individuals with milk sales; and (2) cows

certified for slaughter or export under the program could be resold to non-participants because dairy cows usually bear no permanent identifying marks and tracking them through marketing channels is impractical.

Open Recommendations to Congress

If it reestablishes the program, Congress should select a base period to avoid paying participants for marketing reductions made prior to the program.

Status: Action in process.

Farm Income Stabilization Federal Price Support for Honey Should Be Phased Out

RCED-85-107, 08/19/85

Background

GAO reviewed the Department of Agriculture's (USDA) mandatory honey price-support program to: (1) evaluate the need for the program; (2) determine who participated in the program; (3) determine why program costs and government inventories were increasing; and (4) evaluate USDA program administration.

Findings

GAO found that bee pollination is critical to certain seed and fruit crops, and the crop producers view the cost of pollination as a cost of production. Producers feel that the pollination service would still be cost-effective even if the price rose as a result of price support reduction or elimination. However, elimination of the program would force some beekeepers out of business. GAO found that comparatively few beekeepers participate in

the honey price-support program, and the participants have forfeited large quantities of honey to the government under the loan program. GAO found that the costs of the program have increased due to inflation, support prices which are higher than world market prices for honey, and the costs of managing honey inventories. Most of the honey which is forfeited due to defaulted loans is distributed through government donation programs. The cost of managing honey inventories has increased from practically nothing to about \$31 million for the 1980-83 period, and overall program costs were about \$164 million for that period. GAO found that USDA program administration is not adequate because USDA: (1) did not collect sufficient wholesale price data or honey production data for computing the support price; (2) does not properly ensure that the producers meet the eligibility requirements for loans; and (3) does not perform tests on honey used for loan

collateral to ensure that the honey is not imported or adulterated. GAO believes that the mandatory honey price-support program is no longer needed.

Open Recommendations to Congress

Congress should pass legislation to repeal the mandatory honey price-support program, 7 U.S.C. 1446(b). If Congress repeals the mandatory program, it should consider directing the Secretary of Agriculture to use his existing discretionary authority under 7 U.S.C. 1447 to provide price support to honey producers and to reduce this support incrementally over a period of time to ensure an orderly phaseout of the program and minimize the undue adverse impact on the beekeeping industry.

Status: Action in process.

Farm Income Stabilization Overview of the Dairy Surplus Issue—Policy Options for Congressional Consideration

RCED-85-132, 09/18/85

Background

To assist Congress in its consideration of various legislative proposals to revise dairy policies, GAO summarized its work on dairy-related issues over the last 6 years, discussed the magnitude and nature of the dairy surplus problem, and analyzed several policy options for dealing with the problem.

Findings

GAO found that government dairy product purchases and inventories have increased sharply from 1979 through 1983 and the Department of Agriculture expects this trend to continue. In addition, the nation's milk consumption has not kept pace with its ability to produce milk, and the potential for significant increases in farm productivity is great due to technological advances. Therefore, GAO believes that,

unless the government adopts policies that will reduce economic incentives attracting resources into dairy farming, burdensome surpluses of federally purchased dairy products and high government costs will likely continue. GAO analyzed nine policy options and their potential consequences in terms of six specific goals that could help ensure that an adequate supply of milk is met in an efficient manner. The goals related to automatic adjustment of price levels, accommodation of changes in production costs, maintenance of production patterns, avoidance of excessive government costs, program cost visibility, and market determination of price and farm income. GAO found that: (1) the use of a supply-demand adjuster or a moving-average price would meet five of these goals; (2) deregulation of the dairy industry would meet most of the goals but would result in substantial industry instability; (3) using a dairy

parity index and placing marketing quotas would not meet three of the goals; and (4) four other options analyzed would not meet two of the goals and only partially meet from one to four other goals.

Open Recommendations to Congress

To avoid reverting to a parity formula required by the Agricultural Act of 1949, which would result in increasing the current support price from \$11.60 to \$16.22 a hundredweight, legislation will be needed to revise or replace the present dairy price-support program. In deliberating on such legislation, Congress may wish to give consideration to either the supply-demand adjuster or moving-average price option.

Status: Action in process.

Import-Export Issues

Transportation of Public Law 480 Commodities—Efforts Needed To Eliminate Unnecessary Costs

NSIAD-85-74, 06/18/85

Background

GAO assessed the Department of Agriculture's (USDA) and the Department of Transportation's (DOT) Maritime Administration's management of the expenditure of U.S. funds for ocean transportation of agricultural commodities pursuant to P.L. 480 title I. This law authorizes the President to enter into agreements with friendly countries for the sale of the commodities under favorable financing terms. Because the United States finances the sales, regulations require that at least 50 percent of the commodities

be transported by privately owned U.S. flag vessels. GAO reviewed purchase authorizations exceeding \$1 million and rate calculations for vessels transporting commodities under these authorizations.

Findings

GAO found significant problems that indicate that USDA may be paying higher ocean freight differentials than necessary. USDA control over the bidding and negotiation process for ocean transportation contracts is inadequate because foreign countries: (1) use closed bids

which may be submitted late or are based on knowledge of submitted bids; (2) may negotiate with any preferred vessel owner, which does not ensure the lowest possible rates; and (3) may serve as vessel brokers which can lead to favoritism in rate negotiations. USDA is responsible for complying with cargo preference requirements, approving foreign vessel selections, and calculating ocean freight differentials; however, it does not consistently follow the standard provision for calculating differentials or may apply the standard in a manner that reduces costs to foreign countries

at the expense of higher USDA payments. GAO also found that the Maritime Administration does not verify data used in calculating guideline rates because it assumes that vessels return to the United States without cargo. However, evidence suggests that vessels may carry cargo on the return voyage, which allows them the potential to earn excessive profits. Additionally, the Maritime Administration has not prepared guidelines for liners because of the difficulty in separating revenues; therefore, it does not know whether transportation rates for liners represent cost plus a reasonable profit.

Open Recommendations to Agencies

The Secretary of Agriculture should require publicly opened transportation of-

fers. The offered transportation rates must be firm and nonnegotiable, and awards should be consistent with open, competitive, and responsive bid procedures. USDA should provide an observer for transportation bid openings, as it does for commodity bids.

Status: Action not yet initiated. In its letter, September 11, 1985, USDA stated its intentions to implement open freight tenders, on a trial basis, as soon as the Maritime Administration has in place a system for providing guideline rates on U.S. flag liner vessels.

The Secretary of Transportation should direct the Maritime Administrator to devise and institute a method for assess-

ing whether transportation rates for liners represent cost plus a reasonable profit. Also, vessel owners should be required to have their independent accountants semiannually certify that vessel costs and operating data are accurate.

Status: Action in process.

The Secretary of Agriculture should issue regulations requiring certification that nonliner U.S. flag vessels do not scrap or carry cargo on a return voyage. The regulations also should provide that the guideline rate will be recalculated and the transportation rate adjusted if a vessel obtains backhaul cargo or is scrapped or sold overseas.

Status: Action in process.

Automatic Data Processing

The Treasury Department and Its Bureaus Can Better Plan for and Control Computer Resources

GGD-82-9, 02/22/82

Background

GAO reviewed the Department of the Treasury's and its bureaus' use of computer resources in achieving their missions. The objectives of the review were to: (1) evaluate how effectively these resources are managed by Treasury and its bureaus; (2) determine if they could be better used; and (3) recommend improvements where needed.

Findings

Treasury has lacked an effective means of implementing policies and procedures for managing computer resources. Congressional concern over a similar lack of top management oversight of information resources in other government agencies has resulted in the recent passage of the Paperwork Reduction Act of 1980. This act, particularly its provision for designating a senior official

to report directly to the head of the agency and to be responsible for carrying out the act within the agency, can substantially improve the management of computers and other information-related activities if properly implemented. Many Treasury bureaus have not established a formalized, coordinated system for forecasting automatic data processing (ADP) needs sufficiently to allow for the orderly acquisition of computer resources to satisfy these requirements. The absence of top management and user involvement and participation in formulating long-range computer growth strategy has resulted in Treasury bureaus having either too much or too little computer capacity, excessive costs of operations, and unmet user needs. Although some Treasury bureaus have done limited testing and measuring of equipment utilization and in some cases have evaluated performance, these efforts are only part

of an effective performance management program. Other critical elements, such as establishing standards and goals, periodically assessing products, and optimizing software efficiency, have been lacking.

Open Recommendations to Agencies

The Secretary of the Treasury should limit the senior official's duties and responsibilities to those required by the Paperwork Reduction Act to ensure that the official can devote sufficient time and attention to enforcing the act, ensure the independence and objectivity of the official, and impress upon Treasury and bureau management the critical importance of the position.

Status: Action in process.

Greater Emphasis on Information Resource Management Is Needed at the Federal Aviation Administration

RCED-83-60, 11/24/82

Background

In response to a congressional request, GAO reviewed Federal Aviation Administration (FAA) planning, management, acquisition and use of automated data processing (ADP) for personnel, financial management, accident/incident/violation reporting and other administrative functions.

Findings

FAA has taken steps to improve its ADP procedures and guidelines for initiating

and approving national hardware and software development projects. However, despite these improvements, GAO found a number of management and technical problems remaining in these FAA information-related functions. Despite the growing complexity and size of FAA computer hardware and software acquisitions, FAA has not made a comprehensive analysis of its overall information requirements. FAA is procuring excessive computer hardware capacity at the Aeronautical Computer Center and at its regional offices. In addition, major software projects are proceeding or

are being developed without appropriate management controls. These conditions prevail because ADP management control and oversight are dispersed throughout the agency. Information requirements planning is conducted on a project-by-project basis. FAA does not conduct overall planning to meet agencywide needs. Therefore, overlapping or duplicative systems have not been identified, long-term planning has been impeded, and evaluation of the overall effectiveness of existing information systems has been hampered. Furthermore, information requirements analyses are not adequately con-

ducted to support computer acquisitions. GAO found that, at the secretarial level, the Department of Transportation could provide better guidance on acquiring, managing, operating, and using information resources to its subunits, including FAA.

Open Recommendations to Agencies

The Secretary of Transportation should direct FAA to implement standard cost

collection and control procedures for software projects and establish a control mechanism to trigger management reviews of high-cost variances.

Status: Action not yet initiated. The Information Resource Management Program Office is responsible for establishing a system with related procedures that will collect cost information on projects and project results. The system provides for

review and analysis of project data to identify variances for FAA management.

The Secretary of Transportation should direct the Assistant Secretary for Administration to develop a departmentwide computer capacity and workload management program.

Status: Action in process. Estimated completion date: 03/86

Federal Agencies Could Save Time and Money With Better Computer Software Alternatives

AFMD-83-29, 05/20/83

Background

GAO undertook a review to identify: (1) problems federal agencies have in satisfying their application software needs; (2) options available to agencies in acquiring application software; (3) whether agencies are taking advantage of the most beneficial options; and (4) recommendations to help satisfy federal software needs faster and more economically.

Findings

GAO found a number of methods that can reduce the costs and delays associated with custom development of new software. Currently, application software needs can be satisfied by: (1) making

new software through software development; (2) using generators or problem-oriented packages; (3) using vendor software packages; (4) sharing existing software; and (5) modifying and enhancing existing software. GAO found that no overall process exists to ensure that federal agencies consider alternative methods of satisfying software needs. In the data processing installations which GAO visited, over 98 percent of the software inventories had been custom-developed, which is a long and costly process. Only about 1 percent of their applications software was acquired off the shelf. Many federal and private computer installations have common tasks, and existing software developed elsewhere is available. Despite the general

lag in federal use of packaged software and other alternatives, GAO has found that a few federal agencies have initiated cost-effective solutions to their software needs.

Open Recommendations to Agencies

The heads of federal agencies should install formal software selection procedures on how to identify, evaluate, and select ways of meeting software needs, including vendor packages and shared software as well as custom development, and require that the selection process be documented.

Status: Action in process.

SSA Data Communications Contracts With Paradyne Corporation Demonstrate the Need for Improved Management Controls

IMTEC-84-15, 07/09/84

Background

In response to a congressional request, GAO reviewed the Social Security Administration's (SSA) two contracts with the Paradyne Corporation for improving the agency's data communications network.

Findings

The SSA terminal replacement contract with Paradyne was the largest in the agency's history. The first contract, valued at about \$115 million, required Paradyne to install leased terminals in SSA offices nationwide for records management. The second sole-source contract award, valued at more than \$2.5 million, called for Paradyne to enhance the data transmission capabilities of its terminals. This contract was terminated for the convenience of the government. GAO found that management weaknesses caused the acquisition of a data communications system that did not begin to meet contractual performance requirements until 2 years after contract award.

Furthermore, the system is still experiencing a high equipment failure rate. A 1982 purchase of some leased terminals and the sole-source award demonstrated inherent flaws in the systems procurement management structure of the agency such as: (1) internal control deficiencies resulting from a realignment of the responsible SSA office; and (2) inadequate oversight of the procurement by the Department of Health and Human Services (HHS). Until corrected, these problems will continue to threaten the integrity of the SSA systems procurement process. These problems will affect a proposed purchase of the remaining leased Paradyne terminals and an upcoming acquisition of new terminals.

Open Recommendations to Agencies

The Secretary of HHS should direct the Commissioner of Social Security to provide for greater depth and scope in technical reviews of automatic data processing (ADP) and data communications acquisition proposals by reviewing

the superseded version of Administrative Directives Systems Guide 200-5 and identifying, for incorporation into the current version, those specific and detailed proposal review instructions needed to achieve thorough technical reviews.

Status: Action in process.

The Secretary of HHS should direct the Commissioner of Social Security to ensure that the poor procurement practices used on the Paradyne acquisitions are not repeated on the upcoming 17,000-plus terminal procurement by: (1) closely reviewing the validity of the procurement justification; (2) performing an independent, in-depth review of the technical specifications contained in the pending solicitation to ensure that they include unambiguous and workload-specific criteria for measuring vendor equipment performance during preaward and acceptance testing; and (3) using appropriately stringent performance validation techniques in conducting preaward and acceptance tests.

Status: Action in process.

OMB Needs To More Fully Consider Government-Wide Implications in Its Telecommunications Initiatives

IMTEC-84-21, 09/07/84

Background

Pursuant to a congressional request, GAO determined whether the Office of Management and Budget (OMB) has: (1) developed an overall telecommunications plan and policy; and (2) conducted studies, including cost/benefit analyses,

on the impact of the American Telephone and Telegraph divestiture on government telecommunications operations. OMB is planning to permit agencies to acquire long-distance telecommunications service independently instead of using the centralized Federal Telecommunications System (FTS). GAO also ascertained the effect that the OMB initiative would have on

H.R. 2718 and S. 2433, proposals to create an Information Technology (IT) Fund.

Findings

GAO found that, although OMB has made progress in carrying out its telecommunications responsibilities under the Paperwork Reduction Act, it

is not placing enough emphasis on the governmentwide implications of its actions and the governmentwide issues arising from the new telecommunications environment. Regarding the proposed FTS initiative, GAO believes that OMB may not be sufficiently considering: (1) the costs and benefits of the current FTS compared to a decentralized system; (2) the initiative's effect on the proposed IT Fund; and (3) the national security and staffing implications of a decentralized system. GAO also noted that the initiative's effect on the proposed legislation would

make additional funds available to cover the cost of equipment and services for the FTS by increasing the General Services Administration's flexibility in raising capital. GAO concluded that the FTS initiative could result in reduced funding for the proposed IT fund.

Open Recommendations to Agencies

The Director, OMB, should direct the Office of Information and Regulatory

Affairs to delay implementation of the FTS initiative until guidance and methodologies are developed to examine such issues as the cost benefits of a centralized versus a decentralized system, various strategies for maximizing federal response to national emergencies, and staffing implications of agency-by-agency telecommunications management versus a consolidated management system.

Status: Action in process.

Effective Management of Computer Leasing Needed To Reduce Government Costs

IMTEC-85-3, 03/21/85

Background

GAO reported on its examination of federal departments' and agencies' computer leasing practices.

Findings

GAO found that federal agencies spent about \$1.1 billion to lease automated data processing (ADP) equipment in fiscal year 1983. Among the leases that GAO analyzed, costs could have been reduced for up to 90 percent of the components by employing one or more of the available refinancing alternatives. Lease costs can also be reduced by exercising contract options which change a straight lease to a lease plan that would result in ownership. Data processing managers at the civilian and defense installations GAO visited had not identified or pursued refinancing alternatives because they lacked the specific management procedures and monetary control policies essential to such operations. Further, agency managers and officials were generally uninformed about certain alternatives. GAO also noted that the General Services Administration and the Office of Management and Budget have not provided agencies the funding support needed for such unbudgeted purchase opportunities.

Open Recommendations to Congress

Congress, when considering future requests to increase the ADP Fund for opportunity buys, should specify that the funds be used exclusively for taking advantage of cost-effective opportunities to buy equipment.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Administrator of General Services should issue regulations requiring all agencies to: (1) perform routine, periodic analyses of computer leases; (2) compare the costs of available refinancing alternatives; and (3) select the most reasonable, cost-effective alternative.

Status: Action in process.

The heads of federal civilian agencies with substantial leasing volume should, to ensure that federal departments and agencies take maximum practical advantage of available refinancing alternatives, require data processing managers to conduct a cost-effectiveness analysis of all existing leases and develop a plan to employ, where appropriate, the refinancing alternatives described in this report.

Status: Action in process.

The Administrator of General Services, to ensure that the necessary leadership and governmentwide ADP management support are forthcoming, should issue guidelines for agencies in seeking third-party competition and, specifically, in transacting sale/leasebacks.

Status: Action in process.

The Administrator of General Services, to ensure that the necessary leadership and governmentwide ADP management support are forthcoming, should identify and revise, where it will enhance competition and be otherwise appropriate, those federal contracting practices that the third-party industry believes act as major business impediments.

Status: Action in process.

The Administrator of General Services, to ensure that the necessary leadership and governmentwide ADP management support are forthcoming, should institute controls to ensure that the capital in the ADP Fund authorized for opportunity buys is available and used for that purpose unless it can justify to OMB that capital reserved for opportunity buys can be used more effectively for other ADP Fund programs.

Status: Action in process.

The heads of federal civilian agencies with substantial leasing volume should, to ensure that federal departments and

agencies take maximum practical advantage of available refinancing alternatives, require data processing managers to correct computer equipment inventory and accounting records and maintain

them accurately to enable the recurring analysis of computer leases.

Status: Action in process.

Patent and Trademark Office Needs To Better Manage Automation of Its Trademark Operations

IMTEC-85-8, 04/19/85

Background

GAO reviewed the automation of trademark operations at the Department of Commerce Patent and Trademark Office (PTO), focusing on: (1) system user requirements; (2) a 1982 trademark automation cost/benefit analysis; and (3) contracting practices and procedures for acquiring the automated trademark systems.

Findings

GAO found that, in its 1982 Automation Master Plan, PTO established major goals for its trademark automation system that included improved registration quality, cost-effectiveness, and reduced application processing time. PTO acquired its automatic data processing (ADP) services and equipment through monetary procurements; however, it acquired the associated data bases through non-monetary arrangements, called exchange agreements, with firms that provide trademark-related services. Management problems have hindered PTO in reaching its goals, because it did not: (1) thoroughly analyze or develop the functional requirements for the use of its three automated systems; (2) adequately assess the costs and benefits of the automated systems; (3) properly manage the three systems; and (4) fully test the search and retrieval system before accepting it from the contractor. Although PTO has attempted to correct some problems through exchange agreement renegotiation, GAO is concerned that PTO may choose to execute future

exchange agreements without complying with applicable procurement regulations and, therefore, evade the procedures designed to ensure maximum competitiveness and cost-effectiveness in its procurement actions.

Open Recommendations to Congress

If PTO does not take steps to implement the recommendations regarding exchange agreements, Congress should consider withdrawing the PTO exchange agreement authority for ADP resource acquisitions.

Status: Action in process.

Open Recommendations to Agencies

To help ensure that automation goals and appropriate procurement practices are met, the Secretary of Commerce should direct the Acting Commissioner of Patents and Trademarks to reanalyze thoroughly the cost benefits of PTO trademark automation activities and ensure that any additional expenditures are justified. This analysis should: (1) include updated cost information estimated according to standard practices; (2) incorporate the views of PTO officials; and (3) include support for the key assumptions.

Status: Action in process.

To help ensure that automation goals and appropriate procurement practices are met, the Secretary of Commerce should direct the Acting Commissioner of Patents and Trademarks to review and, if necessary, revise PTO systems specifications to ensure that all key requirements to support the systems' use by PTO personnel and by the public are met.

Status: Action in process.

To help ensure that automation goals and appropriate procurement practices are met, the Secretary of Commerce should direct the Acting Commissioner of Patents and Trademarks to make all reasonable efforts to expeditiously and economically acquire unrestricted ownership of the trademark data bases obtained through the exchange agreements.

Status: Action in process.

To help ensure that automation goals and appropriate procurement practices are met, the Secretary of Commerce should direct the Acting Commissioner of Patents and Trademarks to establish criteria for determining when future ADP resource exchange agreements should be used and develop procedures to ensure that these exchanges comply with applicable federal procurement regulations. Such criteria and procedures should also require that PTO thoroughly analyze the value of future agreements and fully assess their impacts on PTO and the public.

Status: Action in process.

To ensure appropriate oversight, the Secretary of Commerce should review and approve PTO responses to the recommendations regarding exchange agreements to ensure that they are properly implemented.

Status: Action in process.

Until he is satisfied that PTO has appropriately reanalyzed the costs and

benefits of the PTO trademark automation and reviewed the system's specifications, the Secretary of Commerce should also require that any significant procurement actions regarding trademark automation efforts, including new procurements as well as modifications to or renewals of existing procurements, undergo departmental review and approval. This should include exchange agreement procurements.

Status: Action in process.

The Secretary of Commerce should direct PTO to maintain its manual trademark system until the capabilities of its automated systems are at least equal to the manual system.

Status: Action in process.

Social Security Administration's Progress in Modernizing Its Computer Operations

IMTEC-85-15, 08/30/85

Background

Pursuant to a congressional request, GAO reported on the Social Security Administration's (SSA) computer system's flexibility to handle legislative changes promptly and efficiently and its security. There were also concerns about: (1) a shift in emphasis and direction in the SSA Systems Modernization Plan (SMP); (2) whether the existing system was adequately documented to permit development of an improved new system; and (3) SSA failure to assign personal identification numbers to trace particular transactions. In addition, GAO investigated SSA implementation of the 1099 reporting requirement, which requires issuance of reports to beneficiaries and to the Internal Revenue Service on SSA payments to beneficiaries, as a test of the system's legislative flexibility.

Findings

GAO found that: (1) SSA has made significant progress in improving its hardware deficiencies through its acquisition of new computers and the conversion of its data files from tape to disk; (2) the goals of modernizing data communications and data base management have been delayed; (3) SSA has not made sufficient progress in improving its software; (4) the 1099 implementation, although completed on

time, required SSA to create a new system and only partially demonstrated improvement in its capability to respond to legislative changes requiring modifications to existing systems; and (5) the SSA automated systems remained vulnerable to fraud, even though improvements have been made. GAO also found that there was a significant redirection in the SSA approach to software improvement because: (1) it initiated system redesign efforts before completing software standards and improvements; and (2) it decided not to fully document all existing software programs because of resource limitations and other higher priority work. GAO believes that this approach could be risky and could result in continued inadequate responses to legislative changes. GAO also believes that SSA will not achieve the desired legislative flexibility until effective implementation of the software program is completed.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct SSA to conduct a comprehensive risk analysis of the 1985 changes made in the SMP software engineering program. Such an analysis should: (1) include a discussion about how this redirection will improve the SSA

ability to more timely and efficiently complete the SMP software program; and (2) address the possible risks associated with diverting resources away from documenting and improving existing systems and with taking a less structured approach to software development.

Status: Action in process. Estimated completion date: 01/86

The Secretary of Health and Human Services should direct SSA to implement an audit trail capability in the current operation system that identifies authorizers for all transactions. Further, the system developed to meet this requirement should provide feedback through which transaction authorizers are informed, after transactions have been entered into the system, of all transactions attributed to their personal identification numbers. Finally, those authorizers should be required to certify the accuracy of any transactions attributed to their personal identification number.

Status: Action not yet initiated.

The Secretary of Health and Human Services should direct SSA to promptly report to the Committee: (1) the results of the SSA risk analysis; and (2) progress on implementing an audit trail.

Status: Action in process. Estimated completion date: 01/86

Social Security Administration's Computer Systems Modernization Effort May Not Achieve Planned Objectives

IMTEC-85-16, 09/30/85

Background

Pursuant to a congressional request, GAO reviewed the Social Security Administration's (SSA) implementation of the Systems Modernization Plan.

Findings

GAO found that: (1) although SSA had made some progress in implementing the plan, it had not fulfilled the plan's initial objectives to upgrade existing software; (2) improvements in three of the four modernization plan programs increased system capacity, improved response time, and enhanced data access; (3) progress in software engineering was seriously behind schedule; (4) software development standards were incomplete because of inadequate management attention and staff constraints; and (5) important software improvement projects have been delayed or cancelled because software standards were incomplete. GAO also found that: (1) SSA shifted its emphasis to building new systems instead of first developing a proper software environment and improving its existing systems; (2) there was no proper foundation for software redesign projects without a software upgrade in place; (3) the current data base architecture concept called for technology beyond the state of the art and ultimately delayed the plan's implementation; (4) there was a lack of effective planning, control, and monitoring of system projects; (5) SSA did not effectively use some contractor

products which contributed to the contract's cost increasing from \$6 million to over \$22 million; and (6) SSA personnel resources constraints adversely affected the software upgrade activities.

Open Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should direct SSA to complete the survival and transition phases contained in the 1982 plan, adhering to the phased approach and sequencing of tasks. Specific attention should be given to establishing the software engineering environment proceeding with software improvement and redesign tasks by: (1) improving the guidance in its software engineering technology to explain more fully procedures and standards for improving and developing systems; (2) implementing a quality-monitoring mechanism to ensure the Software Engineering Technology Manual is properly followed; and (3) performing software improvements including documentation of existing systems to define system requirements. These system requirements should be used to support the software redesign efforts.

Status: Action not yet initiated.

The Secretary of HHS should direct SSA to conduct a comprehensive risk analysis of the data base architecture concept for the Data Base Integration Program. This analysis should include: (1) whether the

current concept represents a state of the art system; (2) the probability of the concept's success and related timeframes for its completion; and (3) the risks associated with accomplishing software system redesign prior to establishing the data base architecture.

Status: Action in process. Estimated completion date: 01/86

The Secretary of HHS should direct SSA to ensure that the task to procure and implement a nationwide communications network is coordinated with system software redesign projects to avoid developing ineffective software for the Data Communications Utility Program.

Status: Action not yet initiated.

To improve the overall management of the modernization plan, the Secretary of HHS should direct SSA to develop an action plan for correcting the management deficiencies that currently exist in the plan's integration efforts. This plan should address ways to more effectively monitor and control activities among the programs within the modernization plan.

Status: Action not yet initiated.

The Secretary of HHS should direct SSA to report to Congress on the detailed strategies and plans to the revised systems modernization approaches and the results of the data base architecture risk analysis.

Status: Action not yet initiated.

Commerce and Housing Credit

Mortgage Credit and Thrift Insurance

Debentures Not Serving Purposes HUD Intended—Legislative Changes Could Help Increase Effectiveness and Minimize Interest Costs

RCED-85-38, 03/13/85

Background

GAO evaluated the provisions of the National Housing Act of 1934 which authorized the Department of Housing and Urban Development (HUD) to accept long-term, low-interest debentures instead of cash as payment for mortgage insurance premiums. The review focused on the impact of redemption of debentures before they reach maturity as payment for mortgage insurance premiums and was conducted to help HUD improve program management and to help Congress decide whether amendments to the act, with respect to the debentures, are warranted.

Findings

GAO found that the provisions of the act which allow the redemption of debentures before maturity could create a need for increased appropriations, a need for Treasury borrowing, or the loss of any HUD opportunity to earn interest on mortgage insurance premiums paid in cash rather than in debentures. GAO found that: (1) about 95 percent of all

debentures redeemed during the 5 years ending September 30, 1982, were used to pay mortgage insurance premiums; (2) debentures were used to pay almost 15 percent of the premiums collected during the same period; and (3) debentures with a 20-year maturity date are redeemed on the average in about 7 years. Because HUD may not have reserves available in its insurance funds at the time debentures are redeemed, early redemptions can lead to borrowing from the Treasury, and Treasury borrowing rates have been historically higher than rates carried by debentures being redeemed. Consequently, when HUD has to borrow money at interest rates higher than the rates on the debentures being redeemed, higher interest costs are incurred. In 1982, HUD proposed that its authorization bill include a provision to eliminate the statutory requirement allowing debentures to be redeemed at face value in exchange for mortgage insurance premium payments; however, the legislation was not enacted. Finally, most mortgage lending institutions which GAO contacted said that the mortgage

insurance premium redemption feature provides no particular incentive for investing in programs which pay in debentures.

Open Recommendations to Congress

Congress should amend the National Housing Act to provide the Secretary of HUD with the authority to redeem debentures prior to maturity at less than face value in order to adjust for variations between debenture interest rates and Treasury borrowing rates.

Status: Action not yet initiated.

Congress should amend the National Housing Act to provide the Secretary of HUD with the authority to reject debentures as payment of mortgage insurance premiums if debenture owners choose not to accept less than face value, or if the Secretary otherwise deems it appropriate.

Status: Action not yet initiated.

Mortgage Credit and Thrift Insurance

The Federal National Mortgage Association in a Changing Economic Environment

RCED-85-102, 04/15/85

Background

Pursuant to a congressional request, GAO reported on: (1) how the secondary market for residential mortgages is changing and the Federal National Mortgage Association's (FNMA) role in that market; (2) the privileges and constraints that

affect FNMA in its public-purpose role and its profitability as a shareholder-owned corporation; (3) the interest rate and credit risks that FNMA incurs; and (4) how the Departments of Housing and Urban Development (HUD) and the Treasury, as federal regulators, oversee FNMA activities.

Findings

In carrying out this review, GAO did not have legal access to all the information needed and had to rely on information that FNMA voluntarily provided. GAO found that two initiatives taken by FNMA, in 1981, had been successful in

producing earnings to partially offset the negative interest margins experienced in 1981 through 1984: (1) increasing fee income; and (2) earning money from the positive interest margin on the large volume of mortgages purchased. GAO also found that FNMA probably increased its exposure to foreclosure when it added a large volume of loans to its portfolio. FNMA developed standard mortgage instruments and practices and helped create a national market in residential loans. In performing this role, FNMA was provided with a variety of financial supports, but its business was limited to the residential secondary mortgage market exclusively. Treasury authority to purchase FNMA securities allowed FNMA to receive the highest private quality rating possible for its debt and to borrow at interest rates close to those of the U.S. Treasury. GAO

found that certain benefits declined while FNMA responded to new market demands including: (1) the primary and secondary mortgage market grew; (2) the thrift industry was deregulated; and (3) other federal credit agencies became active. Congress recognized that safeguards, in terms of HUD and Treasury oversight, were needed to ensure that FNMA would carry out its public functions and use its borrowing powers in a responsible way.

Open Recommendations to Congress

To improve the regulatory, oversight, and evaluation functions relative to FNMA, Congress should establish by legislation a permanent oversight function within HUD or some other federal regulatory entity that will monitor FNMA activities,

evaluate how well it performs its public policy objectives, and periodically report to Congress on these matters.

Status: Action not yet initiated.

To improve the regulatory, oversight, and evaluation functions relative to FNMA, Congress should clarify in legislation the regulatory role it desires, particularly as regards aspects of FNMA operations such as its portfolio operations which expose the federal government to financial risk.

Status: Action not yet initiated.

Congress should provide GAO with the authority to audit FNMA financial records and evaluate its programs with the right to access all FNMA corporate records.

Status: Action not yet initiated.

Other Advancement of Commerce FCC Needs To Monitor a Changing International Telecommunications Market

RCED-83-92, 03/14/83

Background

In response to a congressional request, GAO examined whether the Federal Communications Commission (FCC) can effectively monitor and gauge the impact of recent FCC and congressional actions designed to increase competition in the international telecommunications market by reducing the entry barriers for the U.S. portion of the market.

Findings

GAO found no general consensus that these actions would increase competition

in the international market. Further, FCC does not monitor market development and cannot measure or gauge the competitive impact of its decisions on the market. The Common Carrier Bureau, responsible for implementing these decisions, recognizes the importance of monitoring the industry, but stated that its strained resources have made it difficult to track industry development. Therefore, GAO believes that, unless FCC develops an industry analysis capability, it cannot adequately measure market competitiveness

to ensure that its actions are having the desired market behavior effects.

Open Recommendations to Agencies

The Chairman, FCC, should direct the Common Carrier Bureau to: (1) use this same capability to ensure that intermodal competition is developing; and (2) allow it to intervene in facilities authorization if necessary to correct any imbalance.

Status: Action in process.

Other Advancement of Commerce Federal Communications Commission Can Further Improve Its Licensing Activities

RCED-83-90, 04/26/83

Background

In response to a congressional request, GAO reviewed the Federal Communication Commission's (FCC) processing of applications for new common carrier, broadcast, and private radio licenses to identify changes to make these operations more efficient and productive.

Findings

As a result of continued technological improvements and an increasing demand for communications services, the FCC application processing workload has increased and is likely to continue to increase. Congress has noted that, while FCC has tried to improve license processing speeds, it still takes too long to get a license.

Open Recommendations to Congress

If Congress determines that competition in the telecommunications markets has developed to the extent that market forces eliminate the need for regulatory intervention, Congress should amend section 309(d) of the Communications Act of 1934, as it pertains to applications for new station licenses to require that FCC not accept petitions to deny based on allegations of economic injury to existing licensees as well as other allegations unrelated to technical interference issues.

Status: Action not yet initiated.

If Congress determines that competition in telecommunications markets has de-

veloped to the extent that market forces eliminate the need for regulatory intervention, Congress should repeal the provisions of section 307(b), which requires FCC to distribute licenses among states and communities, so as to provide a fair, efficient, and equitable distribution of radio service, but which may no longer be necessary in a competitive market.

Status: Action not yet initiated.

Congress, to overcome the delay caused by mutually exclusive applications, may want to consider authorizing FCC to use a licensing procedure in which a license would be granted to the first qualified applicant who applied.

Status: Action not yet initiated.

Other Advancement of Commerce SEC's Efforts To Find Lost and Stolen Securities

GGD-84-42, 05/18/84

Background

The Securities and Exchange Commission (SEC) maintains a program to find securities, such as stocks and bonds, that financial institutions and their customers report as lost or missing. GAO reviewed the SEC program to determine its effectiveness in finding such securities.

Findings

SEC requires financial institutions to register under the program. Registration entitles institutions to report lost or stolen securities and check securities

they receive in commercial transactions. GAO found that the number of securities recovered through the program has increased since its inception, but SEC has not accurately reported the dollar value of securities actually found through the program. In addition, SEC has exempted from the program securities that do not have industry identification numbers, and certain securities that were formerly reported to Federal Reserve Banks are no longer reported to either the Federal Reserve or SEC. GAO also found that: (1) financial institutions are not complying with reporting requirements under the program; and (2) SEC has not coordinated its program with the National Crime Information Center (NCIC), which also lists lost and stolen securities.

Open Recommendations to Agencies

The Chairman, SEC, should, at a minimum, notify financial institutions to comply with the program requirements that call for dollar values to be specified for all securities that are reported to the program.

Status: Action in process.

As an initial step toward improving the program's capability to find lost and stolen securities, the Chairman, SEC, should require that lost or stolen securities formerly required to be reported to the Federal Reserve Banks be reported to the SEC program.

Status: Action in process.

As an initial step toward improving the program's capability to find lost and stolen securities, the Chairman, SEC, should assess the effect of the under-reporting of lost and stolen securities without a securities industry identification number and, if warranted, direct the program operator to assign identification numbers to these securities.

Status: Action in process.

As an initial step toward improving the program's capability to find lost and stolen securities, the Chairman, SEC, should develop a pilot program to assess whether the \$10,000 or less transaction

exemption should be continued, weighing the regulatory compliance burden against the improvement in securities found for financial institution customers as well as the decreased deterrent effects.

Status: Action in process.

The Chairman, SEC, should, in consultation with the bank regulatory agencies, concentrate on obtaining improved compliance with lost and stolen securities regulations by ensuring through appropriate enforcement and administrative actions that financial institutions become registered with the program and that registered institutions report lost and

stolen securities and check the status of securities received.

Status: Action in process.

The Chairman, SEC, and the Attorney General should link the SEC and NCIC lists of lost and stolen securities.

Target: Securities and Exchange Commission

Status: Action in process.

Target: Department of Justice

Status: Action in process.

Postal Service Opportunities To Improve the Postal Ratemaking Process

GGD-84-10, 04/23/84

Background

In response to a congressional request, GAO reviewed the postal ratemaking and classification processes to determine whether opportunities exist to improve them.

Findings

GAO found that, although the current ratemaking process can be lengthy, it works reasonably well. Further, GAO found that current Postal Rate Commission (PRC) procedures are appropriate for resolving mail classification cases. The ratemaking process provides interested parties with an opportunity to participate in the proceedings, develops an evidentiary record upon which rate decisions are based, and normally produces PRC recommendations to the Board of Governors for new postal rates within a reasonable time period. However, if the Board disagrees with a PRC-recommended decision, the reconsideration process may become excessively lengthy since there is no time limit set by law. Although the U.S. Postal Service (USPS), its Board of Governors, and PRC

agree that time taken for reconsiderations can be a problem, they disagree on the remedies, with PRC favoring a flexible time limit. Other problem areas involve cost procedural issues, Board use of technical assistance, USPS and PRC reporting requirements, and the consumer advocate's role.

Open Recommendations to Agencies

In order to clarify the roles of the Governors, USPS, and PRC in the ratemaking process, the Board should amend its bylaws to: (1) define the nature and scope of the Board and USPS participation in considering postal rate proposals; and (2) establish the policies and procedures the Governors will follow when considering modifications to the PRC recommended decision.

Status: Action in process.

In order to streamline and clarify the provision and use of cost data in the rate consideration process, the Postmaster General should direct USPS to seek informal PRC comments on proposed

changes in cost procedures and special cost studies as they are being completed. If this process proves constructive, the Postmaster General should direct USPS to request periodic rulemaking proceedings from PRC to formalize the agreed upon procedures.

Status: Action not yet initiated. USPS agreed with this recommendation; however, an action date is not known.

Given the USPS current position, in order to resolve the current disagreements between PRC and USPS over periodic reporting needs and reporting milestones, the Chairman, PRC, should initiate a rulemaking proceeding to reconsider periodic reporting requirements. If the new periodic reporting requirements are not complied with, the Chairman, PRC, should seek specific legislative authority to enforce realistic periodic reporting requirements.

Status: Action not yet initiated. PRC agreed with this recommendation; however, an action date is not known.

Community and Regional Development

Community Development Increasing HUD Effectiveness Through Improved Management

RCED-84-9, 01/10/84

Background

GAO evaluated management effectiveness at the Department of Housing and Urban Development (HUD) with the intention of identifying and analyzing management problems. GAO focused on management's performance in: (1) organizing and directing HUD; (2) planning activities and determining resource allocations; (3) executing program delivery; and (4) providing management control.

Findings

GAO found that HUD has many complex and longstanding problems and that there is a need to: (1) improve organizational stability; (2) increase emphasis on, and accountability for, general management functions; and (3) establish continuity in HUD top management. GAO believes that HUD reliance on the budget process to direct and control HUD activity has not been an effective substitute for needed management systems. Weaknesses in the analytical base used to support the HUD budget and to monitor and analyze program activity have hampered analysis and oversight by Congress and others. Consistent problems have affected program delivery, and HUD has not fully addressed the causes of financial management problems, including inadequacies in long range planning and the absence of a chief financial officer. In addition, HUD management information systems did not provide timely and accurate data which were necessary to establish control over HUD programs. GAO also found that accounting systems were not adequately automated and that many automated accounting systems were obsolete.

Open Recommendations to Agencies

The Secretary of HUD, for improvement of program participant monitoring, should define the objectives of all types of monitoring and specify realistic expectations for program staff.

Status: Action in process.

To improve staff resources over the long term, the Secretary of HUD should establish a staff development program linked to overall organizational planning, which will coordinate departmental efforts to forecast personnel needs.

Status: Action in process.

To improve staff resources over the long term, the Secretary of HUD should integrate staff needs assessments with program implementation plans.

Status: Action in process.

For the short range, the Secretary of HUD should correct internal control weaknesses and other financial management information system problems identified during this review by ensuring that: (1) the single-family premium collection system and the process for handling cash receipts and disbursements include adequate internal controls; (2) collections are placed under immediate accounting controls; (3) sound cash management practices are followed in handling receipts and disbursements; and (4) the home improvement loan collection process is streamlined as part of the current automation effort.

Status: Action in process.

For the long range, the Secretary of HUD should continue efforts to restore integrity to the Department's financial management information systems by enhancing system internal controls.

Status: Action in process.

For the long range, the Secretary of HUD should streamline the processes used to accomplish accounting functions.

Status: Action in process.

For the long range, the Secretary of HUD should develop accounting systems which comply with the principles and standards established by the Comptroller General. The objective of this development process should be to establish accounting systems capable of providing timely, accurate, and comprehensive information and serving as a basis for reporting on the adequacy of internal controls as required by the Federal Managers' Financial Integrity Act (FIA).

Status: Action in process.

For the long range, the Secretary of HUD should enhance financial management information system improvements and future automation by establishing a long-range automated data processing (ADP) planning and control process.

Status: Action in process.

As part of the long-range ADP planning and control process, the Secretary of HUD should ensure that existing and proposed automated systems are necessary, feasible, and cost-effective, and that those systems which cannot perform their intended purpose in a cost-effective manner are discontinued.

Status: Action in process.

As part of the long-range ADP planning and control process, the Secretary of HUD should ensure that user needs and administrative burdens are adequately considered during system development.

Status: Action in process.

HUD should ensure that efforts to develop modern automated systems are continued.

Status: Action in process.

As part of the long-range ADP planning and control process, the Secretary of

Community Development Insights Into Major Urban Development Action Grant Issues

RCED-84-55, 03/05/84

Background

GAO examined the Urban Development Action Grant (UDAG) Program, focusing on: (1) the accuracy of the Department of Housing and Urban Development's (HUD) information on the results of completed projects; (2) the participation of small cities in the program; and (3) the requirements governing monies that recipient cities can generate by loaning action grant funds to private developers.

Findings

GAO found that, between January 1978 and November 1983, UDAG funded \$3 billion in grants to distressed communities for economic revitalization and neighborhood reclamation projects. The HUD

information system, however, did not provide complete information on program results realized from the 12 completed projects reviewed by GAO. GAO also found that, many of the most economically distressed small cities did not participate in UDAG, because they: (1) were unfamiliar with the program; (2) had insufficient city government capacity to plan a program project; and (3) had difficulties in obtaining adequate private sector involvement. In addition, many recipients have been repayed UDAG loans by developers before completion of the intended UDAG projects, but there is no clear policy on whether cities can use these early repayments for additional community and economic development activities.

Open Recommendations to Agencies

The Secretary of HUD, to help increase participation in the UDAG program of cities with populations below 50,000, should develop comprehensive UDAG information materials to help educate small cities and the private sector about the program.

Status: Action in process.

The Secretary of HUD should develop and issue policy guidance defining the circumstances under which cities should be able to use early UDAG repayments.

Status: Action in process.

Community Development Improving Controls Over Rent and Management Fees at Multifamily Housing Projects

RCED-84-118, 04/11/84

Background

Pursuant to a congressional request, GAO evaluated the Department of Housing and Urban Development's (HUD) procedures for controlling rents and management fees at multifamily housing projects.

Findings

As part of its oversight role in housing programs, HUD reviews and approves rent and management fee increases for multifamily rental housing projects. GAO found that inadequate con-

trols were resulting in excessive rents, higher management fees, and possible overpayment of HUD subsidies. Three HUD field offices processed or approved rent increases without receiving supporting documentation. Approved rents were overstated by about \$510,000 at 17 projects, including overstatements of capital improvements, commercial income, expenses associated with providing rent-free apartments to management personnel, and calculation errors. GAO also found that: (1) capital improvements and commercial income were overstated be-

cause HUD personnel did not follow procedures; (2) current HUD instructions were unclear regarding the value of rent-free apartments; (3) in some cases, there was no evidence that supervisors reviewed the work of personnel who processed rent increases; (4) management fees were being approved under different criteria and rationales; and (5) field offices were not comparing the payment of management fees with approved fees. HUD is in the process of developing new procedures for the review of both rent increases and management fees.

Open Recommendations to Agencies

The Secretary of HUD should finalize and implement new procedures for improving controls over rents and management fees. These procedures should include the development of more specific guidelines on the documentation required and the analysis needed for field offices to process and approve rent increases.

Status: Action in process. Estimated completion date: 02/86

The Secretary of HUD should finalize and implement new procedures for improving controls over rents and management fees. These procedures should include clarifi-

cation of guidelines pertaining to the treatment of rent-free units in evaluating rent increase requests.

Status: Action in process. Estimated completion date: 02/86

The Secretary of HUD should finalize and implement new procedures for improving controls over rents and management fees. These procedures should include the establishment of a uniform method for approving management fees.

Status: Action in process. Estimated completion date: 02/86

The Secretary of HUD should finalize and implement new procedures for improv-

ing controls over rents and management fees. These procedures should include clarification of what sources of project income are permitted in calculating the basis for the payment of management fees.

Status: Action in process. Estimated completion date: 02/86

The Secretary of HUD should finalize and implement new procedures for improving controls over rents and management fees. These procedures should include the development of guidelines for supervisory controls over the rent and management fee processes.

Status: Action in process. Estimated completion date: 02/86

Community Development

Opportunities for Public Housing Authorities To Develop and Acquire Computer-Based Management Information Systems

IMTEC-84-13, 09/28/84

Background

GAO evaluated the practices followed by public housing authorities (PHA) in acquiring computer-based management information systems and the Department of Housing and Urban Development's (HUD) role in coordinating these acquisitions.

Findings

GAO found the present system of allowing PHA to independently develop and acquire computer-based information systems has resulted in systems that are

unique and costly. Such systems do not take advantage of the potential for transferability and sharing of software applications that exists among PHA.

Open Recommendations to Agencies

The Secretary, HUD, to avoid duplicate and costly development and acquisition of computerized systems, should provide central management direction and technical assistance to PHA for the acquisi-

tion and development of computer-based management information systems.

Status: Action in process.

The Secretary, HUD, to improve the reporting of financial and management information by PHA to HUD, should guide and coordinate the development of compatible automated systems to provide for the direct interface and linkage of the PHA and the HUD computer systems.

Status: Action in process.

Community Development

Stronger Internal Controls Over HUD Single-Family Mortgage Insurance Programs Would Discourage Fraud

RCED-85-4, 05/13/85

Background

Pursuant to a congressional request, GAO reviewed the Department of Housing and Urban Development's (HUD) home loan insurance approval procedures under the single-family mortgage insurance program.

Findings

GAO found that: (1) since 1934, HUD single-family mortgage insurance programs have insured about 14 million loans, of which about 6 percent have failed; (2) HUD relies on lenders to obtain and verify information bearing on loan risks and does not independently verify credit information; (3) weak internal controls may have contributed to the success of a fraudulent housing scheme in Camden, New Jersey; and (4) unlike HUD, the Veterans Administration (VA) independently verifies credit information in its mortgage insurance programs and attempts to determine why borrowers default shortly after

loan origination. In addition, GAO found that HUD: (1) is implementing the Direct Endorsement Program, which is designed to simplify and expedite the loan origination process by granting lenders the authority to issue HUD insurance commitments without prior HUD approval; and (2) will monitor direct endorsement lending to rate lenders' performance but will not collect information pertaining to loan defaults or independently verify credit information submitted by lenders.

Open Recommendations to Agencies

The Secretary of Housing and Urban Development (HUD) should develop a monitoring procedure to identify mortgages that default within a specified time after loan origination so that alleged fraudulent loan practices such as those being investigated in Camden, New Jersey, are identified and evaluated. As appropriate, modifications should be made

either to the local or national insurance practices.

Status: Action in process.

HUD should revise its insurance commitment procedures to verify, by sampling, data submitted by lenders.

Status: Action in process.

HUD should revise its insurance commitment procedures to independently verify appraisals involving investor-owned properties if the investor had recently purchased the property.

Status: Action in process.

HUD should revise its insurance commitment procedures to ensure that VA property appraisal data are included as part of the file documentation when HUD uses it in making the insurance commitments.

Status: Action in process.

Disaster Relief and Insurance

Improved Administration of Federal Public Disaster Assistance Can Reduce Costs and Increase Effectiveness

CED-82-98, 07/23/82

Background

GAO reviewed the Federal Emergency Management Agency's (FEMA) administration of funds for public disaster assistance. The review was made to determine whether FEMA, which provided over \$700 million in disaster assistance from 1979 through 1981, was consistently and effectively providing such assistance to state and local governments.

Findings

Under the Disaster Relief Act of 1974, public disaster assistance is intended to supplement resources available to state and local governments following major disasters. GAO found that FEMA provided public disaster assistance to state and local governments for certain expenditures which they had the capability of providing for themselves. Specifically, state and

local governments were reimbursed for: (1) salaries of employees who were temporarily reassigned to assist in disaster relief efforts, (2) equipment temporarily diverted to disaster relief work, and (3) repair and reconstruction of uninsured public buildings. GAO does not believe that reimbursing these types of costs is consistent with the intent of supplemental assistance. GAO also found that state and local governments were not treated con-

Natural Resources and Environment

Conservation and Land Management

Lands in the Lake Chelan National Recreation Area Should Be Returned to Private Ownership

CED-81-10, 01/22/81

Background

GAO was requested to examine the land acquisition and management practices of the National Park Service (NPS) at Lake Chelan National Recreation Area. Through the law which established this area, it was congressional intent that land acquisition costs be minimal, that a private community in the recreation area continue to exist, that commercial development not be eliminated, and that additional compatible development be permitted to accommodate increased visitor use.

Findings

NPS has not acted in accordance with congressional intent. NPS has spent millions of dollars to acquire over half of the privately owned land in the recreation

area. Moreover, it plans to acquire most of the area's remaining privately owned land. These additional land acquisitions are planned without a clear definition of the uses that are incompatible with the enabling legislation. The acquisitions are based on the premise that NPS must acquire the major areas subject to subdivision to prevent a prospective boom in recreational homesites. NPS has also prohibited new private commercial development to increase lodging accommodations and to provide needed restaurant and grocery services for both residents and visitors.

Open Recommendations to Congress

Congress should exempt land acquired pursuant to P.L. 90-544 from the 2-year

limitation in 16 U.S.C. 4601-22(a). This would give the last owner(s) the right to match the highest bid price and reacquire property sold to NPS.

Status: Action not yet initiated.

Congress should not increase the statutory land acquisition appropriation ceiling for the North Cascades National Park and the Ross Lake and Lake Chelan National Recreation Area above the \$4.5 million already approved until NPS has defined compatible and incompatible development, prepared a land acquisition plan justifying the need to acquire land from private owners, and spent the funds obtained from selling all compatible land back to private individuals.

Status: Action in process.

Conservation and Land Management

Public Rangeland Improvement: A Slow, Costly Process in Need of Alternate Funding

RCED-83-23, 10/14/82

Background

GAO conducted a review to determine the status of and progress being made under the Bureau of Land Management's (BLM) programs for managing and protecting public rangelands in 16 western states.

Findings

Since 1977, BLM has made some progress in meeting a congressional mandate to improve the unsatisfactory conditions of public rangelands in the western states. BLM has issued over 20,000 grazing permits or leases to individuals and corporations who use federal rangelands. Permits with allotments range from large

ranchers to some with a few animals. Because BLM has used varying methods over the years to assess range conditions, the assessments' results cannot be directly compared to show the overall effects of BLM management actions. Nevertheless, the assessments indicate that most of the rangelands are in unsatisfactory condition and produce less than their potential. The current BLM method of determining and classifying range conditions is not directly related to management objectives. In addition, field offices use different methods to gather rangeland trend and forage consumption data. GAO believes that more consistency in data gathering is needed among districts with the same

rangeland types and with similar resource conditions and problems. A 1975 court order has delayed development and implementation of range management plans until site-specific environmental impact statements are completed. The decreasing availability of improvement funds caused by budget cuts and declining grazing fees, coupled with the increasing cost of range improvements will further delay BLM progress in improving range conditions and productivity.

Open Recommendations to Congress

Congress should assess alternative funding sources, such as amending the Public

Disaster Relief and Insurance**National Flood Insurance Program: Major Changes Needed if It Is To Operate Without a Federal Subsidy**

RCED-83-53, 01/03/83

Background

Pursuant to a congressional request, GAO examined: (1) how the Federal Emergency Management Agency (FEMA) establishes rates for the National Flood Insurance Program; (2) whether it is possible to eliminate the federal subsidy and make the program self-sustaining; and (3) whether the flood insurance revolving fund is an appropriate mechanism for financing the program.

Findings

GAO found that the National Flood Insurance Program has not collected sufficient premiums to cover the cost of providing the insurance to about 1.9 million policyholders living in flood-prone areas. To compensate for the inadequate premium income, the FEMA Federal Insurance Administration borrowed a to-

tal of \$854 million from the Treasury between 1970 and 1980. Except where FEMA provides an intentional subsidy, flood insurance policyholders are required to pay insurance rates which are set in accordance with accepted actuarial principles. FEMA has relied on a combination of models and judgment to set the insurance rates, and methodological and data weaknesses in this approach have produced an overly complex rate structure that has not generated sufficient income to cover the costs of providing insurance or build up a reserve. FEMA is currently attempting to eliminate the federal subsidy by fiscal year 1988. When Congress established the flood insurance revolving fund, it expected the program to be run as a joint government-insurance industry operation. However, after a series of disagreements in 1978, the government terminated the insurance industry's involvement and took over the program.

Open Recommendations to Agencies

The Director of FEMA, to develop a risk premium rate structure which produces adequate premium income and is in line with accepted actuarial principles, should estimate and establish a catastrophic reserve.

Status: Action in process. Estimated completion date: 01/88

The Director of FEMA, to develop a risk premium rate structure which produces adequate premium income and is in line with accepted actuarial principles, should increase reliance on recent loss experience in setting rates.

Status: Action in process. Estimated completion date: 01/88

Disaster Relief and Insurance**Review of FEMA Role in Assisting State and Local Governments To Develop Hurricane Preparedness Planning**

RCED-83-182, 07/07/83

Background

In response to a congressional request, GAO reviewed the principal federal programs relating to hurricane preparedness planning and the preparedness activities of a number of state and local governments.

Findings

GAO found that, although the Federal Emergency Management Agency (FEMA) is responsible for administering federal emergency management programs, FEMA involvement in hurricane preparedness assistance has been minimal. FEMA

awarded study grants to states with only limited coordination with other federal agencies involved in providing funds and technical assistance. Further, FEMA was funding preparedness studies with little or no assurance that these studies were feasible or could lead to workable preparedness plans. GAO noted that, only recently has FEMA become aware of these problems, and it has met with state and local officials to better coordinate ongoing studies. GAO concluded that, although FEMA has taken positive steps to improve program direction, the agency needs to take additional steps to better ensure that such results are achieved.

Open Recommendations to Agencies

The Director, FEMA, to better ensure that the FEMA Hurricane Preparedness Program provides more effective assistance to state and local governments, should formally review current hurricane planning efforts to determine the best methods for developing and implementing a workable preparedness plan.

Status: Action in process.

Education, Training, Employment, and Social Services

Elementary, Secondary, and Vocational Education

Use of the Public Law 94-142 Set-Aside Shows Both the Flexibility Intended by the Law and the Need for Improved Reporting

PEMD-85-5, 01/02/85

Background

Pursuant to a congressional request, GAO examined how states are currently using funds set aside under P.L. 94-142, the Education for All Handicapped Children Act of 1975, and analyzed the likely effect of a shift in the current set-aside proportion.

Findings

GAO found that most states have allocated the set-aside in a manner that meets the federal mandates and responds to state needs. However, GAO believes that the current process might be modified in several ways: (1) although most states do not use their full set-aside allotment, the

proposed legislative reduction of funds might have a negative effect on the states that need their allotment; (2) more specific guidance is needed for states if financial support is forthcoming for activities such as research and development, child programs, and infant programs; and (3) the argument for allowing small states the flexibility of allocating a larger percentage of funds should be considered. Although the set-aside seems to be effectively reaching the act's goals, better financial information on the program is needed. GAO believes that collecting and reporting this information would not add greatly to the states' or the Department of Education's data collection and reporting burden.

Open Recommendations to Congress

The Senate Committee on Labor and Human Resources, Handicapped Subcommittee, should consider the fact that no national data have been available for monitoring or evaluating the set-aside program. The current regulations do not require the states to report even minimal information such as the proportion they retain from their grants and the proportions they use for administration and direct and support services each year. If this basic information were available, it would at least be possible to track trends in state and local allocations and to determine, among other things, whether the states are continuing to make voluntary reductions in the set-aside.

Status: Action not yet initiated.

Higher Education

Adverse Opinion on the Financial Statements of the Student Loan Insurance Fund for FY 1980

AFMD-82-52, 07/08/82

Background

As required by the enabling legislation of the Guaranteed Student Loan Program, GAO reported to Congress its opinion on the Student Loan Insurance Fund's financial statements for the fiscal year (FY) ended September 30, 1980.

Findings

Since the Fund's inception, serious accounting and reporting problems have resulted from inadequate internal controls and noncompliance with generally accepted accounting principles. Although GAO has regularly reported these

problems since 1969, Fund management has done little to correct them. In the opinion of GAO, the Fund's financial statements do not fairly present its financial position at September 30, 1980, or the results of its operations and the changes in its financial position for FY 1980. This adverse opinion was necessary because: (1) control account balances, representing 64 percent of the Fund's assets, could not be reconciled with computerized subsidiary records; (2) procedures have not been developed for several accounts, resulting in material misstatements; (3) cancelled checks totalling \$14 million were added to the Fund's cash balance

without determining whether they had been recorded when initially issued; (4) supervisory reviews and other verification procedures were frequently ineffective; and (5) the uncollectible portion of insurance premiums receivable was not recorded.

Open Recommendations to Agencies

The Secretary of Education should direct the Office of Student Financial Assistance to: (1) prepare appropriate written accounting procedures; (2) record all cash

transactions promptly; (3) analyze the Fund's collection experience and establish an allowance for loss rates which are

based on this experience; (4) properly train and supervise accounting personnel; and (5) consistently verify manual com-

putations when necessary to ensure the integrity of files and processing.

Status: Action in process.

Higher Education Review of the Upward Bound Program

HRD-83-19, 03/18/83

Background

GAO was requested to review the Department of Education's special programs for students from disadvantaged backgrounds. As part of that review, GAO evaluated the administration of the Upward Bound Program.

Findings

GAO found that, although Upward Bound has been in operation since 1965, it is unclear whether the program is achieving its intended purpose. At the 12 Upward Bound projects visited, about 50 percent of the participants who entered the program dropped out before graduating from high school. Ten of the 12

projects either did not properly measure the academic improvements made in the remaining participants' skill levels or did not adequately report to Education the academic skills obtained. In addition, the projects generally did not assess the postsecondary performance of participants. Because of the lack of data on academic skills and postsecondary performance, neither Education nor the projects know whether all of the program's goals are being achieved.

Open Recommendations to Agencies

The Secretary of Education should consider project dropout rates, the changes

in participants' academic skills levels, and participants' postsecondary success when awarding new Upward Bound grants.

Status: Action in process.

The Secretary of Education should require Upward Bound projects to measure the academic growth of participants and to report such growth to Education.

Status: Action in process.

The Secretary of Education should develop a system to obtain accurate data on participants' postsecondary success.

Status: Action in process.

Higher Education Many Proprietary Schools Do Not Comply With Department of Education's Pell Grant Program Requirements

HRD-84-17, 08/20/84

Background

In response to a congressional request, GAO assessed the administration of the Pell Grant program by proprietary schools.

Findings

Proprietary schools are usually private, for-profit vocational schools, and the objective of the Pell Grant program at postsecondary proprietary schools is to help financially needy students get training to prepare them for employment. Since the program began in 1973, the number of recipients has grown over twelvefold and, during the 1980-1981

school year, proprietary schools received and administered \$278 million in federal Pell Grant funds. GAO estimated that school practices which are not in the best interests of the students and do not comply with program requirements are costing the government millions of dollars. These practices include: (1) the admission of unqualified students, who have a greater tendency to drop out of school before completing their training than do qualified students; (2) the failure to establish or enforce academic program standards; (3) schools' misrepresenting themselves to prospective students; and (4) errors in computing and disbursing Pell Grant awards and refunds. In its efforts to assess whether schools comply

with Pell Grant program requirements, the Department of Education conducts on-site program reviews at some schools each year; however, GAO believes that these reviews are not adequate and are hampered by the agency's limited staff resources.

Open Recommendations to Agencies

In view of the significantly higher dropout rate for students admitted on the basis of the ability-to-benefit criterion, the Secretary of Education should explore the feasibility of developing criteria that

would provide schools with a better indication that such students have a reasonable likelihood to complete training. In developing criteria, the Secretary might consider, among other things, the characteristics of successful students enrolled on the basis of ability to benefit, where determinable. If suitable criteria cannot be developed, the Secretary should seek a legislative change to limit admission to students with a high school diploma or general education development certificate and to provide that exceptions to this

requirement be justified in writing and approved by Education.

Status: Action in process.

The Secretary of Education should request that the Inspector General (IG): (1) gather information on why regional offices reject the audit work and reports of independent public accountants; and (2) use the analysis of this information as a basis for assessing and, when necessary, increasing the quality and reliability of public accountant audit work. The overall

result of this effort would be the development of better information for Education to use in monitoring compliance. Such information, together with Education's program reviews and IG audits, should allow Education to better ensure that problems such as those noted regarding recruiting practices, adherence to academic progress standards, and administering federal funds are identified and remedial or other enforcement action is taken where appropriate.

Status: Action in process.

Higher Education

Pell Grant Validation Imposes Some Costs and Does Not Greatly Reduce Award Errors: New Strategies Are Needed

PEMD-85-10, 09/27/85

Background

GAO analyzed the Department of Education's efforts to verify data submitted by applicants to the Pell Grant program through validation and reported on the effects of validation on educational institutions and on student applicants for financial aid.

Findings

GAO conducted: (1) in-depth case studies of 12 postsecondary schools representing the diversity of schools that Pell Grant recipients attend; and (2) a random sampling of the financial aid offices of 400 other institutions. GAO also surveyed students at three different types of schools and compared the experiences of validated and nonvalidated students. GAO found that: (1) validation increased from 39 percent of recipients in 1981 to 1982 to 64 percent in 1982 to 1983; (2) schools were generally positive toward validation and willing to see it expanded to other financial aid programs, although they reported increased costs and award delays attributable to validation; (3) validation problems and delays in awards did not appear to have an effect on most students' academic plans, although about 1 percent of them may have had their

plans negatively affected; and (4) substantial, continuing problems with student application and institutional errors exist despite validation, with overawards occurring more frequently than underawards. GAO also reviewed Education's most recent studies of Pell Grant error and found that its efforts to reduce error were hindered by: (1) lack of clear purpose and formal goals, with little done to prevent, as well as detect, error; (2) information gaps caused by lack of regular monitoring of error rates at all types of schools; (3) decisions made under time constraints, contributing to misinterpretation of data; (4) fragmentation within the Office of Student Financial Assistance; and (5) isolation from other agencies that deal with award inaccuracies.

Open Recommendations to Congress

Congress may wish to consider the rates of Pell Grant error to determine whether additional guidance to Education would be helpful.

Status: Action in process.

Congress may wish to consider whether the evaluative information that is now available is sufficient for achieving accountability and accuracy in the administration of the Pell Grant program.

Status: Action in process.

Open Recommendations to Agencies

The Department of Education may wish to present proposals for legislative change. However, before taking specific actions, Education needs goals for accuracy, diverse strategies clearly linked to the goals, better data, and internal management structures that will apply leadership to corrective action. A comprehensive effort might include a more active search for relevant experience in other agencies and a greater use of pilot tests of promising practices without having to experiment on the regular system. In addition, a comprehensive effort to define goals and strategies might be made in cooperation with the postsecondary institutions that now carry the responsibility for day-to-day administration of the Pell Grant program.

Status: Action not yet initiated. Education is awaiting congressional guidance before doing anything other than already planned actions.

The Office of Management and Budget (OMB) should maintain its oversight of the Pell Grant program. OMB could also promote the sharing of promising internal practices in federal agencies, identify workable and effective approaches for institutions carrying out verification functions for federal programs, and en-

courage the use of joint or substitutable eligibility in order to reduce the work required for need analyses and eligibility reviews wherever possible.

Status: Action in process.

OMB should maintain its oversight of the program, in future management reviews,

to ensure that OMB concerns and the issues raised, including the need for improvements in Pell Grant evaluation information, are considered and acted upon.

Status: Action in process.

Other Labor Services

Congress Should Consider Repeal of the Service Contract Act

HRD-83-4, 01/31/83

Background

GAO reported on the problems and impacts of the Service Contract Act of 1965, as amended, and its implementing regulations and procedures as administered and enforced by the Department of Labor.

Findings

GAO found that Labor has been unable to administer the Service Contract Act efficiently and effectively because: (1) inherent problems exist in its administration; (2) wage rates and fringe benefits set under the act are generally inflationary; (3) accurate determinations of prevailing wage rates and fringe benefits cannot be made using existing data sources and the data needed to accurately determine prevailing wage rates

and fringe benefits would be very costly to develop; and (4) the Fair Labor Standards Act and administrative procedures implemented through the federal procurement process could provide a measure of wage and benefit protection the act now covers. Pending proposed regulations would limit Labor's application of the act while leaving unresolved the major underlying problems in accurately developing prevailing wage rates and fringe benefits. In addition, ambiguities in the language of the act have hampered Labor's ability to develop accurate wage rates and fringe benefits for employees. Amendments to the act further complicated Labor's task by requiring Labor to issue collectively bargained wages and benefits in specific successor contractor situations and give due consideration to federal employee wages and benefits in making determina-

tions of the prevailing wages and benefits in a locality.

Open Recommendations to Congress

Congress should consider repealing the Service Contract Act of 1965.

Status: Action not yet initiated.

Congress should consider amending section 6(e) of the Fair Labor Standards Act to ensure continued federal minimum wage coverage for all employees of employers providing contract services to the United States or the District of Columbia.

Status: Action not yet initiated.

Other Labor Services

Interim Report on the Department of Labor's Management of the ERISA Enforcement Program

HRD-85-82, 06/24/85

Background

In response to a congressional request, GAO provided information on its ongoing review of the Department of Labor's management of the Employee Retirement Income Security Act (ERISA) enforcement program.

Findings

The Office of Pension and Welfare Benefit Programs (OPWBP) is responsible for enforcing the ERISA reporting, disclosure, and fiduciary provisions. In 1984, OPWBP reported closing 2,454 cases, and \$93 million in assets were recovered or safeguarded. Despite its accomplishments, the program for protecting pension plan

benefits has been criticized over the last 10 years by a number of organizations. In 1984, a work group reported that the ERISA enforcement program was unable to maintain credibility within the employee benefit plan community because there was no assurance that ERISA violations would be detected and corrected. GAO found that the program has lacked a consistent long-term strategy,

and as a result, there is not adequate assurance that plans most likely to be in violation of the act were being selected or that limited OPWBP resources have been effectively applied. Three area offices which GAO reviewed all used different bases for case selection, and only one had attempted to evaluate the effectiveness of its methods. There has also been a frequent turnover of key program officials resulting in changes in enforcement policy, and the small size of the investigator and auditor staff has enabled OPWBP to review only 1 percent of the plans each year. Finally, since 1977, the

training provided for ERISA staff has been limited and inadequate. Although Labor has recently taken action to reorganize the enforcement program, certain longstanding problems still persist.

Open Recommendations to Agencies

The Secretary of Labor should direct OPWBP to develop a comprehensive, long-term enforcement strategy.

Status: Action in process.

The Secretary of Labor should periodically track the progress of the enforcement strategy.

Status: Action in process.

The Secretary of Labor should hold key program managers accountable for adhering to the strategy and producing results unless changes are adequately justified and approved.

Status: Action in process.

Other Labor Services

The Department of Labor's Enforcement of the Fair Labor Standards Act

HRD-85-77, 09/30/85

Background

Pursuant to a congressional request, GAO reported on: (1) actions taken by Congress and the Department of Labor in response to recommendations in a previous GAO report on the Fair Labor Standards Act (FLSA); and (2) the cumulative effect of staff reductions and changes in resource utilization among Labor's FLSA compliance officers.

Findings

GAO found that: (1) Labor reasonably focuses on obtaining civil remedies in FLSA cases because the Department of Justice rarely seeks criminal penalties in such cases; (2) Labor has determined

not to compute unpaid wages for third-year violations under FLSA because the statute of limitations mandates a 3-year recovery period for unpaid wages and Labor usually takes about a year to process FLSA cases; (3) Labor is seeking liquidated damages in FLSA cases more frequently than in the past; and (4) legislation that would amend FLSA to eliminate the liquidated damages provision and authorize Labor to assess more severe civil penalties has been introduced in Congress but never enacted. In addition, GAO found that: (1) Labor compliance officers spent 474 staff-years enforcing FLSA in 1984, compared to 558 staff-years in 1981, but the percentage of staff time spent on FLSA has not declined sig-

nificantly; (2) Labor compliance officers spend less than 2 percent of their time working in unrelated program areas; and (3) the amount of back wages owed has decreased from \$127 million to \$107 million since 1981.

Open Recommendations to Agencies

The Secretary of Labor should direct the Solicitor of Labor to monitor the regional solicitors to determine whether they are seeking liquidated damages in all appropriate cases.

Status: Action in process.

Social Services

A Comprehensive Approach Needed for Further Productivity Improvements in the Unemployment Insurance Program

HRD-85-8, 10/25/84

Background

GAO reviewed the Department of Labor's utilization of resources in its implementation of the Federal-State Unemployment Insurance (UI) program.

Findings

GAO found that states administering the program have achieved significant productivity increases over the past 20 years, although there is potential for further improvement. GAO noted that there remain significant differences in productivity rates among states and offices

within states, much of which are attributable to variations in operating practices. GAO also noted that productivity improvement receives some attention from Labor management, but it is not a specific management objective and Labor does not have a comprehensive approach for achieving productivity improvements.

Open Recommendations to Agencies

The Secretary of Labor should direct the Employment and Training Administration (ETA) to develop a plan for improving productivity in administering the UI

program to include: (1) measures of productivity and unit costs; (2) improvement goals; and (3) a joint approach with states to identify and disseminate information on best management and processing practices to improve productivity.

Status: Action in process.

The Secretary of Labor should direct ETA to assess the potential benefits and determine which type of incentives would be most suitable for encouraging states to adopt best management practices.

Status: Action in process.

Social Services

The Establishment of Alternative Corporations by Selected Legal Services Corporation Grant Recipients

HRD-85-51, 08/22/85

Background

Pursuant to a congressional request, GAO reviewed certain alternative corporations that were established by three Legal Services Corporation (LSC) grant recipients to determine: (1) how and why the alternative corporations were established; (2) whether the establishment of the corporations complied with the Legal Services Corporation Act and regulations; and (3) whether the grant recipients and alternative corporations have maintained close enough relationships to be considered single entities for purposes of compliance with the act.

Findings

GAO found that: (1) the act and regulations do not prohibit grant recipients from establishing alternative corporations as long as the funds transferred to the corporations are used in accordance with

the act; and (2) LSC officials encouraged grant recipients to develop strategies, including the establishment of alternative corporations, to counter anticipated funding reductions and restrictions. However, the recipients established the corporations for different reasons to: (1) comply with the act's fund balance policy to ensure that the funds would remain in the state and not be recaptured or result in future deductions; (2) comply with the act's requirement that recipients involve private attorneys in delivering legal assistance; (3) reduce potential restrictions on recipient activities and the use of private funds; and (4) reduce future expenses in anticipation of funding cuts. GAO found that grant recipients and subrecipients in Texas and Connecticut maintained such close relationships that a true separation of the corporations did not exist but, in Maine, they operated independently and complied with regulations. GAO believes

that LSC is justified in considering the two corporations as one, where the grantee and the subgrantee have so close an identity of interests, under its authority with the act to ensure that recipients comply with the act.

Open Recommendations to Agencies

Beginning with the fiscal year ending September 30, 1985, the President, LSC, should consider the Texas Rural Legal Aid's and the Texas Rural Legal Foundation's combined funds balance as a single fund balance and apply the procedures in the LSC fund balance regulation.

Status: Action not yet initiated. LSC agreed with this recommendation and is considering how to implement it.

Training and Employment

An Assessment of Random Audit—A New Department of Labor Program To Improve the Accuracy of Unemployment Insurance Benefit Payments

HRD-84-26, 03/30/84

Background

GAO assessed the Department of Labor's random audit program which was initiated to improve the accuracy of benefit payments under the unemployment insurance system.

Findings

In each participating state, a random sample of about eight unemployment insurance payments is selected for detailed weekly investigations and this provides the basis for estimating the extent, type, and cause of overpayments. GAO believes that the program is conceptually sound and should, if properly implemented, provide needed information. However, comparisons between states may not be meaningful, statistically reliable projections of a national overpayment rate cannot be made until all states have implemented the random audit, not

all unemployment insurance claims are covered by the random audit, and overpayment rates tend to be understated. The results of the random audit program have generally confirmed that high overpayment rates exist. The principal identified cause for these overpayments is that claimants are not actively seeking work. In addition, there are limitations in the states' systems for detecting, preventing, and recovering overpayments. GAO believes that overpayments can be greatly reduced if Labor and the states effectively use the random audit information. In several states, the program is contributing to improved claims processing and overpayment control. However, others have not made substantial changes to improve their programs, principally because of Labor's initial passive role in seeking corrective actions. Concern exists as to whether the federal monitoring of the program in each state should be strengthened and whether the program

should be expanded to include additional types of unemployment insurance claims.

Open Recommendations to Agencies

The Secretary of Labor should direct the Assistant Secretary for Employment and Training to determine the adequacy of federal efforts to monitor the implementation of the random audit.

Status: Action in process.

The Secretary of Labor should direct the Assistant Secretary for Employment and Training to determine and evaluate alternatives for assessing the extent, type, and cause of overpayments in extended benefits and federal supplemental compensation claims.

Status: Action in process.

Energy

Emergency Energy Preparedness Additional Improvements Needed in Logistics Support for the Strategic Petroleum Reserve

RCED-84-12, 04/13/84

Background

GAO reviewed the Department of Energy's (DOE) efforts to develop an integrated logistics support system for the Strategic Petroleum Reserve (SPR) storage locations. The review was made as part of a comprehensive effort to evaluate DOE performance in developing, filling, and maintaining the SPR.

Findings

During initial planning and construction of the SPR, emphasis was placed upon meeting oil storage goals as quickly as possible rather than developing a logistics support system, which resulted in difficulties in acquiring spare parts and replacing defective equipment at storage locations. DOE initiated logistics support planning, with the intention of making its operations and maintenance contractor responsible for this work, but the scope of the contract work was not clear and the contractor used support planning funds for other activities. In 1982, DOE hired a new contractor and redefined the logistics support planning responsibilities more clearly; however, the new contractor's progress has been slower than expected, and DOE due dates for various

segments of the system have been consistently missed. As of September 1983, the contractor had not developed the system's data base for operating and maintenance histories and, without the complete data base, the system cannot accurately estimate spare parts requirements. Despite the slow progress, GAO found that DOE has paid performance incentive bonuses to contractors for logistics support work as well as for other tasks. In addition, the actual development cost of the logistics support planning system is uncertain because DOE has not been able to track the costs incurred by some of its contractors.

Open Recommendations to Agencies

The Secretary of Energy should instruct the SPR Project Manager to more closely monitor contractor activities to ensure that logistics support activities at the Big Hill site are properly completed and implemented in a timely manner.

Status: Action in process.

The Secretary of Energy should instruct the SPR Project Manager to more closely monitor contractor activities to ensure that equipment and spare parts acquired

for the Big Hill site are standardized to the maximum extent possible.

Status: Action in process.

The Secretary of Energy should instruct the SPR Project Manager to take appropriate steps to determine the optimum level of SPR spare and repair parts inventories and warehousing facilities based on operational experience and design specifications.

Status: Action in process.

The Secretary of Energy should instruct the SPR Project Manager to develop a cost-tracking system that clearly identifies costs being expended in the development and operation of the SPR integrated logistics support system.

Status: Action in process.

The Secretary of Energy should instruct the SPR Project Manager to structure the contract award fee plans in future contracts so that: (1) award fees are not paid for less than satisfactory performance and (2) award fee payments are clearly linked to the contractor's actual achievement in meeting stated objectives.

Status: Action in process.

Emergency Energy Preparedness

Evaluation of the Department of Energy's Plan To Sell Oil From the Strategic Petroleum Reserve

RCED-85-80, 06/05/85

Background

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) plan for selling oil from the Strategic Petroleum Reserve (SPR) to analyze: (1) the plan's potential effects on world oil prices; (2) the issues affecting who would get SPR oil under this plan; and (3) how the plan compares with alternative sales mechanisms.

Findings

GAO found that the plan's market approach would probably limit oil price increases in a severe supply disruption and allow broad participation in the sale. However, there were potential problems identified with oil distribution under the plan. DOE, in taking a market approach

to the distribution, plans to award SPR sales contracts to the highest bidders who would be considered eligible buyers. This would allow any foreign country to buy the oil and does not limit the amount that a single buyer could purchase at a given sale. GAO also examined two alternative sales methods of interest to Congress: (1) the continuous sale of options to buy SPR oil in advance of an oil emergency; and (2) allocation of SPR oil at government-set prices. Most industry representatives opposed the sale of SPR options because of their concerns about the length of time during which options could be exercised and who should be eligible to buy the options. GAO found that uncompetitive allocation of SPR oil would entail administrative difficulties that would undermine its intended benefits since it would be difficult to develop criteria for fair distribution.

Open Recommendations to Congress

Because DOE comments did not respond to a prior recommendation that the Secretary of Energy reexamine his position on several issues and report to Congress, GAO believes that the cognizant committees of Congress should pursue these issues with DOE through hearings or in other ways that they may deem appropriate. Specifically, the following issues should be pursued: (1) restricting certain foreign purchases of SPR oil; (2) restricting the purchase of SPR oil by brokers and traders; (3) placing an upper limit on the amount of oil that a buyer can purchase at a given sale; and (4) authorizing a two-pool method of selling SPR oil to assist independent refiners.

Status: Action not yet initiated.

Emergency Energy Preparedness

More Assurance Is Needed That Strategic Petroleum Reserve Oil Can Be Withdrawn as Designed

RCED-85-104, 09/27/85

Background

Pursuant to a congressional request, GAO conducted a review to determine whether the Department of Energy (DOE) will be able to withdraw Strategic Petroleum Reserve (SPR) oil at the designed rate and sustain that rate over time. DOE has been implementing a three-phase plan to develop a 750-million barrel SPR at six sites in Louisiana and Texas, of which 483.5-million barrels were in storage.

Findings

GAO found that DOE is continuing to develop additional storage capacity at three of the sites and is using a process known as leaching to remove salt deposits at another site. While the SPR was designed so that oil could be withdrawn at any time, DOE has established specific withdrawal rates to be achieved at the completion of each phase. Operational and technical problems exist in pipelines and pumping equipment that may affect the ability to achieve the designed draw-down rate and, although marine growth and debris have reduced the amount

of water available to force oil out of storage, DOE has not determined the impact of this. DOE contractor reports state that there is a high degree of corrosion in one major oil pipeline and uncertainty about the quality of some of the buried piping's ability to hold up under the pressure required for drawdown. DOE has been aware of maintenance, support, and repair problems but has been slow in initiating corrective actions. DOE used a computer model to simulate SPR capabilities for an extended draw-down; however, because of the operational problems and delays in corrective actions, GAO believes that reliance on the

computer, which assumes ideal operating conditions, is questionable. Although tests showed that oil can be withdrawn from the sites, the test duration was not long enough to adequately assess equipment reliability.

Open Recommendations to Agencies

To ensure that the SPR system has the capability to provide a readily available supply of oil, the Secretary of Energy should direct the Manager, Oak Ridge Operations Office, to conduct further tests of the SPR that allow an assessment of its capability to meet design drawdown goals while recognizing the trade-off between cost and the level of assurance gained.

Status: Action not yet initiated. DOE has not yet responded to this recommendation.

To ensure that the SPR system has the capability to provide a readily available supply of oil, the Secretary of Energy should direct the Manager, Oak Ridge Operations Office, to ensure that measures are taken at all sites to: (1) assess the ability of pipelines/piping to withstand drawdown-related pressure levels; and (2) protect the pipelines/piping systems from future restrictions and/or corrosion.

Status: Action not yet initiated. DOE has not yet responded to this recommendation.

To ensure that the SPR system has the capability to provide a readily available supply of oil, the Secretary of Energy should direct the Manager, Oak Ridge Operations Office, to test the raw water systems to ensure that drawdown is not limited by inadequate water supplies, after

making the planned modifications to the Bryan Mound and West Hackberry raw water lines and the intake channel at Bryan Mound.

Status: Action not yet initiated. DOE has not yet responded to this recommendation.

To ensure that the SPR system has the capability to provide a readily available supply of oil, the Secretary of Energy should direct the Manager, Oak Ridge Operations Office to ensure that ongoing work on the logistics support and automated control systems is satisfactorily completed and that the systems function as designed.

Status: Action not yet initiated. DOE has not yet responded to this recommendation.

Energy Conservation Millions Can Be Saved Through Better Energy Management in Federal Hospitals

HRD-82-77, 09/01/82

Background

GAO discussed the potential of federal hospitals to reduce energy consumption and costs through improved energy management.

Findings

GAO found a potential for additional energy savings at the 19 hospitals it visited. Furthermore, they had not implemented many low-cost conservation measures, which include reducing hot-water temperature, installing water-flow restrictors, repairing duct insulation, and installing low-wattage fluorescent lighting. GAO identified conservation opportunities at several hospitals which would drastically reduce their annual energy costs, and many of the energy savings measures would pay for themselves in less than a year. Conservation measures used by nonfederal institutions can be implemented while keeping lighting, temperature, humidity, and airflow within

prescribed agency standards and without otherwise affecting patient safety or comfort. Most nonfederal hospitals have aggressive energy saving programs which have resulted in savings around the 20- to 40-percent range. Comparable savings by federal hospitals have not been achieved, primarily because of weaknesses in their energy management programs. GAO believes that federal hospitals, in order to achieve savings of 20 to 40 percent, would have to finance conservation measures costing about two to three times their estimated annual savings. The more costly measures should result in savings that would recover the required investment in 3 years or less, with additional savings continuing throughout the life of the equipment or building.

Open Recommendations to Agencies

The Secretary of Defense should require that the Secretaries of the Army and the

Air Force: (1) conduct technical audits in federal hospitals using qualified energy personnel; (2) establish for each federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) direct federal hospitals to maintain data and report on their energy use; (4) provide their hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (5) direct federal hospitals to implement cost-effective, low-cost conservation measures; (6) monitor the results of energy-saving efforts in federal hospitals and take action to ensure that feasible conservation measures are implemented when these results are not satisfactory; and (7) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process. Estimated completion date: 03/90

The Secretary of Defense should require that the Secretary of the Navy: (1) conduct technical audits in federal hospitals using qualified energy personnel; (2) establish for each federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) provide its hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (4) direct federal hospitals to implement cost-effective, low-cost conservation measures; (5) monitor the results of energy-saving efforts in federal hospitals and take action to ensure that feasible conservation measures are implemented when these results are not satisfactory; and (6) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process. Estimated completion date: 03/90

The Secretary of Health and Human Services should require that the Indian Health Service: (1) establish for each federal hospital quantifiable energy conservation goals based on its energy-saving potential; (2) direct federal hospitals to maintain data and report on their energy use; (3) provide its hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (4) direct federal hospitals to implement cost-effective, low-cost conservation measures; (5) monitor the results of energy-saving efforts in federal hospitals and take action to ensure that feasible conservation measures are implemented when these results are not satisfactory; and (6) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have

been reached and cost-effective measures still remain.

Status: Action in process. Estimated completion date: 04/86

The Administrator of Veterans Affairs should: (1) conduct technical audits in federal hospitals using qualified energy personnel; (2) direct federal hospitals to implement cost-effective, low-cost conservation measures; (3) monitor the results of energy-saving efforts in federal hospitals and take action to ensure that feasible conservation measures are implemented when these results are not satisfactory; and (4) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.

Status: Action in process. Estimated completion date: 04/86

Energy Conservation Economic Uses of the National Wildlife Refuge System Unlikely To Increase Significantly

RCED-84-108, 06/15/84

Background

Pursuant to a congressional request, GAO reviewed the Department of the Interior's plans to expand the economic and public uses of lands included in the National Wildlife Refuge System (NWRS), focusing on: (1) how expansion decisions were reached and whether data provided by individual refuges were considered in Interior's plans; (2) plans to increase oil and gas development on NWRS lands; and (3) policies of Interior's Fish and Wildlife Service (FWS) for granting access to and use of public lands.

Findings

GAO found that FWS initiated two surveys of refuge managers to identify potential expansion of uses for NWRS lands. FWS projected a potential increase of

\$2 million from expansion of economic activities, exclusive of oil and gas development. However, many refuge managers believed that such increases were unlikely to be realized because of limited demand for products that could be produced on NWRS lands. GAO believes that these concerns are valid because of the low quality and small volume of products and the remote locations of many refuges. GAO also found that, although mitigation of potential damage to wildlife from oil and gas development is important, FWS has insufficient information as to the extent of oil and gas activities on NWRS lands to assess the impacts of current or increased development. In addition, FWS has not provided guidance to refuge managers on how oil and gas operations should be conducted. Recent congressional action has delayed plans to

expand oil and gas activities on NWRS lands. GAO also found that FWS has no specific regulations on access to NWRS lands; some refuges allow access without permits while others do not. In addition, FWS is not: (1) consistently charging fees for access and other use permits; or (2) ensuring that revenues that are collected are deposited in the proper Treasury accounts.

Open Recommendations to Agencies

The Secretary of the Interior should issue regulations concerning the conduct of oil and gas operations, especially seismic surveys, on NWRS lands.

Status: Action in process.

Energy Information, Policy, and Regulation

Cleaning Up Nuclear Facilities: An Aggressive and Unified Federal Program Is Needed

EMD-82-40, 05/25/82

Background

GAO conducted a review to determine the status of federal efforts and activities to correct decommissioning problems identified in a prior report. In addition to following up on the implementation of the recommendations for correcting these problems, GAO also evaluated how effectively the Nuclear Regulatory Commission's (NRC), the Department of Energy's (DOE), the Department of Defense's (DOD), and the Environmental Protection Agency's (EPA) decommissioning and standard-setting programs were functioning. The review was made as part of a continuing effort to identify issues in the nuclear area, which will provide public health and safety through better federal program administration.

Findings

Nuclear facilities and sites which require or eventually will require cleanup or other disposition can be tracked, evaluated, and recorded for follow-up action if needed. In the past, nuclear facilities and sites were abandoned or decommissioned without adequate documentation of their radiological status or even a record

of their existence. As a result, federal agencies are uncertain about the location or status of some facilities and sites that may be in need of decommissioning. NRC, DOE, DOD, and EPA are attempting to locate and evaluate the hazards at old, inactive sites. Despite the problems that inadequate recordkeeping systems have caused federal agencies, only DOE is revising its current recordkeeping system to provide sufficient information on the location and radiological condition of its current and future nuclear facilities and sites. Federal decommissioning programs have not sufficiently considered and incorporated decommissioning needs during the facility planning and design phase. DOE and NRC are making some progress in developing comprehensive decommissioning policies which include many of the necessary provisions. DOD has not initiated action to develop a comprehensive decommissioning policy. Standards prescribing acceptable levels of residual radioactive contamination for decommissioned nuclear facilities are not expected to be available until mid-1986. EPA is responsible for setting these standards, but has not done so because it considers their development a low priority.

Open Recommendations to Congress

Congress, as part of its oversight and budgetary review responsibilities, may wish to closely evaluate the overall priorities of DOE and work with DOE in revising these priorities to provide a consistent flow of funding for cleaning up the inactive facilities.

Status: Action not yet initiated.

Congress should designate NRC as the lead federal agency for developing and monitoring the implementation of a national policy for the decommissioning of nuclear facilities and sites, ensuring that DOE and DOD provide assistance and input to NRC in developing this policy.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Defense should establish a decommissioning program that specifies criteria for selecting tentative decommissioning methods during the facility planning phase and criteria for design features to be incorporated in facility planning.

Status: Action in process.

Energy Information, Policy, and Regulation
Need To Revise Eligibility Criterion for One Natural Gas Price Category and Eliminate Backlog in Refund Control Work

RCED-83-3, 08/18/83

Background

GAO conducted a follow-on review to assess the accuracy of natural gas well determinations for Natural Gas Policy Act incentive-priced categories to determine whether: (1) prices received by producers and ultimately paid by consumers are in agreement with the prices prescribed by the act; and (2) procedures are sufficient for making accurate pricing determinations.

Findings

Most of the wells which GAO reviewed were correctly categorized under the act's and the Federal Energy Regulatory Commission's (FERC) implementing criteria. However, FERC criteria for certain natural gas stripper wells do not meet act requirements. FERC interpretations allow wells which subsequently begin earning

a higher return to retain their qualification for this higher price category. The act allows only natural gas which is not produced in conjunction with crude oil to receive stripper prices because revenues from crude oil production would obviate the need for incentive prices for the low volume of natural gas produced. Consequently, consumers are charged higher prices for this natural gas. FERC has developed a huge backlog in its program to detect and require refunds of overcharges in various categories by natural gas producers because: (1) the staff is unable to keep current with cases received; and (2) a surge of cases was created by closing a loophole in regulations. Although FERC has taken some measures to expedite case processing, it has not been able to process fund reports and cases in a timely manner. This backlog and the associated processing timelag may allow overcharges to increase, and

the eventual refunds may not reach the consumers who paid the charges. The backlog may also present difficulties in effecting an orderly completion of the compliance program when price controls end.

Open Recommendations to Agencies

FERC should take timely and aggressive action to identify the actual size and type of backlog work and the procedural or staffing problems causing the backlog in the refund control program and use this information to eliminate the backlog of refund reports and cases and keep caseload processing current through the end of Natural Gas Policy Act price controls.

Status: Action in process.

Energy Information, Policy, and Regulation
The Energy Information Administration Needs To Strengthen Its Computer Systems Development Procedures

RCED-84-42, 01/03/84

Background

GAO reviewed Energy Information Administration (EIA) procedures for developing automated information systems, focusing on the application of those procedures to the development of an automated hydropower billing system for the Federal Energy Regulatory Commission (FERC). EIA regularly provides computer systems development services for other Department of Energy components.

Findings

GAO found that EIA did not have procedures for ensuring that systems development work was properly planned, reviewed, and tested. EIA did not ensure that a contractor's work was based on a study of the needs of potential system users and did not control changes to the system requested by FERC after the system design was agreed upon. GAO believes that, while new systems development standards issued by EIA will alleviate some identified problems, further improvements can be made.

Open Recommendations to Agencies

EIA should develop and implement specific procedures requiring that: (1) a user-needs analysis be performed for systems development projects; and (2) an appropriate management level, depending on the cost of the projects, conducts reviews when significant changes are made to the designs of the systems, at the end of each major development phase, and when planned costs or timeframes are exceeded or other significant problems are encountered.

Status: Action in process.

Energy Information, Policy, and Regulation

FERC Can Improve Its Operational Performance by Broadening and Deepening Current Management Efforts

AFMD-84-8, 01/30/84

Background

GAO examined the overall operational performance of the Federal Energy Regulatory Commission (FERC) to assess its management of operational performance and to identify opportunities for improvement. Operational performance is measured by timeliness, productivity, and quality of work and is a key indicator of management's effectiveness in using its resources to accomplish its workload.

Findings

Although FERC operational performance has improved since 1980, GAO found the need for further improvement in

the areas of productivity and quality. Increases in productivity were significantly less than in previous years and were more moderate than improvements in timeliness. Despite overall gains in productivity, many organizational subdivisions experienced declines. GAO was unable to evaluate the quality of work because FERC has not developed any evaluation criteria but GAO feels that this performance attribute requires attention to improve overall operational performance. FERC improved its timeliness by initiating specific improvement projects and emphasizing the importance of timeliness to all levels of management through techniques such as developing

measures, setting goals, and developing a system of accountability.

Open Recommendations to Agencies

The Executive Director, FERC, should develop objective measures for quality. A first step in the process should be to review the 54 FERC activities and identify those that could be measured for quality. Also, in this development process, FERC should review similar organizations' experiences in developing and using quality measures.

Status: Action in process.

Energy Information, Policy, and Regulation

Performance Evaluation of the Energy Information Administration

PART-84-1, 06/15/84

Background

The Professional Audit Review Team's (PART) report presented its evaluation of the performance of the Energy Information Administration (EIA), as required by law.

Findings

PART found that EIA: (1) is strengthening internal controls to better ensure its objectivity and independence from political and commercial considerations; (2) is assessing staffing needs; (3) has enhanced its annual planning needs; and (4) has improved its evaluation of the relevancy of its energy data and publications. However, EIA needs to expand and improve its quality control and assessment activities to ensure the accuracy

and credibility of the information which it disseminates.

Open Recommendations to Agencies

The Administrator, EIA, to control and document the quality of the EIA data, should take actions to develop guidance to ensure that specific quality assessment and quality control activities are clearly understood to be the responsibility of the Office of Statistical Standards or of the program offices.

Status: Action in process. Estimated completion date: 02/86

The Administrator, EIA, to control and document the quality of the EIA data, should take action to have the directors of program offices develop broad, officewide written procedures for performing their quality control functions to guide the further development of detailed quality control procedures for specific data collection forms, systems, and publications.

Status: Action in process. Estimated completion date: 02/86

The Administrator, EIA, to control and document the quality of the EIA data, should take action to have the Directors of the Office of Planning and Resources and the Office of Statistical Standards evaluate the comparative effectiveness

and efficiency of the various quality control strategies employed by the program offices.

Status: Action in process. Estimated completion date: 02/86

The Administrator, EIA, to control and document the quality of the EIA data, should take action, when a report based on an analytical model is issued, to have the directors of the program offices have documentation for the model available to the public which meets the EIA standards for model documentation.

Status: Action in process. Estimated completion date: 02/86

The Administrator, EIA, to control and document the quality of the EIA data, should take action to have the Director of the Office of Statistical Standards develop a plan for expediting its audits of the quality of the EIA data and for providing more current and detailed coverage in assessing the quality of EIA major data series.

Status: Action in process.

The Administrator, EIA, to control and document the quality of the EIA data,

should take action to have the Director of the Office of Statistical Standards continue the development of the concept of quality audits by: (1) issuing guidelines which describe quality audits, including recognition of the quantitative measures that result from the statistical process and can be used to describe the level of quality; and (2) request that an independent statistical professional group, such as the American Statistical Association's Committee on Energy Statistics, evaluate the concept of quality audits and the frequency and scope of coverage of accuracy controls.

Status: Action in process.

The Administrator, EIA, should obtain the recommendations of the Director of the Office of Statistical Standards on the findings noted in the "Frames Status Report," dated May 31, 1983, and have the program office directors develop a plan for correcting the problems in the quality of the frames.

Status: Action in process. Estimated completion date: 02/86

The Administrator, EIA, should have the Director, Office of Planning and Resour-

ces, ensure that a central process and uniform procedures are used to record the assumptions that requesters want to have incorporated into EIA forecasts and analyses and that the resulting products clearly describe the requesters' specifications.

Status: Action in process.

To ensure that each EIA office has the capability to carry out its specialized functions as effectively and efficiently as possible, the Administrator, EIA, should have the Director, Office of Planning and Resources, assess the number and types of skills EIA needs to meet its overall requirements and to determine whether staffing allocations to each office are appropriate.

Status: Action in process.

The Administrator, EIA, should have each director of the three program offices develop a plan for conducting a comprehensive data requirements study in his energy topic areas and for periodically updating these studies.

Status: Action in process.

Energy Information, Policy, and Regulation

Department of Energy's Initial Efforts To Implement the Nuclear Waste Policy Act of 1982

RCED-85-27, 01/10/85

Background

GAO reviewed the Department of Energy's (DOE) efforts to implement the Nuclear Waste Policy Act in the areas of: (1) identifying waste disposal sites; (2) financing the waste disposal program through user fees; and (3) establishing an organization to carry out the program.

Findings

GAO found that DOE has met its statutory milestones for notifying the affected states that it has identified repository

locations for further evaluation. In addition, it has completed the final rulemaking action to incorporate siting guidelines into the Code of Federal Regulations. However, DOE does not expect to meet the statutory deadline dates for key decisions in the siting of the first repository because of complexities encountered in preparing required environmental evaluations and testing delays. DOE has estimated that the total program costs over the next 50 years will be more than \$20 billion; however, it is planned that users of the sites will pay these costs. DOE has established payment procedures for

collecting ongoing and one-time fees from the users of the repositories. By June 1983, DOE had entered into 70 user contracts. Ongoing user fees are expected to be the major long-term source of program revenue. However, DOE has not yet established fees for the reprocessed high-level wastes produced by defense programs and a demonstration program maintained by New York. GAO found that DOE may be able to accelerate millions of dollars in payments from anticipated users of its waste disposal services by accelerating payment periods and raising interest rates. Finally, GAO found that

DOE has activated the headquarters office for the program; however, the new office lacks direct authority to control the field staffs that execute the program.

Open Recommendations to Agencies

The Secretary of Energy should decide what is an appropriate fee to charge the

federal government and New York for the disposal of high-level wastes.

Status: Action in process.

Energy Information, Policy, and Regulation
The Department of Energy Should Improve Its Management of Oil Overcharge Funds

RCED-85-46, 02/14/85

Background

Pursuant to a congressional request, GAO examined the adequacy of the Department of Energy (DOE) Economic Regulatory Administration's (ERA) management of funds distributed to states resulting from the collection of overcharges found in audits of oil companies' compliance with regulations controlling the allocation and pricing of crude oil and refined petroleum products.

Findings

GAO found that ERA chose to resolve alleged violations by negotiating settlements with the oil companies and, where the parties injured by overcharges were not identifiable, the oil companies were to make the payments either to an escrow account at the U.S. Treasury or directly to the individual states where the companies do business. DOE redistributes the escrow account funds by two means:

(1) through regulations which establish procedures for determining the proper recipients; and (2) through section 155 of P.L. 97-377 which provides for the direct distribution of funds to the states for use in four energy conservation programs and a low-income home energy assistance program. GAO found that DOE could improve its management of these funds in three areas: (1) the states' use of interest earned on the funds; (2) the states' proposals to demonstrate energy conservation techniques; and (3) ERA computation of the states' shares of the funds. GAO also found that some states, which received direct payments as a result of direct settlements between ERA and the oil companies, may not be using their refunds for restitution to the injured parties. However, DOE maintained that it has the authority to take any action necessary to eliminate or compensate for a violation of its petroleum regulations, including approval of direct payments to the states, instead of referring such

matters to the Office of Hearings and Appeals.

Open Recommendations to Agencies

To improve DOE management of both the section 155 funds and any other funds which may be distributed under section 155 procedures, the Secretary of Energy should require the states to report on the interest earned on section 155 funds and certify that it is used for authorized energy conservation programs.

Status: Action in process.

The Secretary of Energy should have the Administrator, ERA, use the most representative petroleum product consumption data in calculating states' shares of future oil overcharge refunds made in accordance with section 155 provisions.

Status: Action in process.

Energy Information, Policy, and Regulation
Department of Energy Needs To Develop Better Guidance for Settling Oil Overcharge Cases With Long-Term Payment Provisions

RCED-85-120, 08/13/85

Background

The Department of Energy's (DOE) Economic Regulatory Administration (ERA) audits oil companies to ensure that they comply with federal petroleum

pricing regulations. When an oil company is found to have overcharged for petroleum products, DOE negotiates a settlement agreement with the company which provides for payments by the company to the government. Pursuant to

a congressional request, GAO reviewed agreements that provided for long-term repayment periods to: (1) determine whether DOE had adequate justification for negotiating long-term settlements; and (2) calculate the amount of interest on

settlement agreements for which DOE had only specified the total settlement amount.

Findings

GAO found that: (1) while ERA has the authority to settle oil overcharge cases, it has not issued procedures or guidelines to ensure that its regional offices adequately analyze oil companies' financial conditions before reaching settlement agreements; (2) for 8 of the 10 long-term settlement agreements reviewed, ERA had not adequately documented financial analyses used in negotiating settlement agreements; and (3) it was difficult to obtain information about the poorly documented agreements because a number of officials involved in negotiating the agreements had left ERA. In addition, GAO found that: (1) the total settlement amount for 20 settlements that did not specify interest amounts

was \$41.6 million and included interest charges totalling \$16.8 million; and (2) by not separating interest charges from settlement amounts, DOE overstated the amounts it had accepted as resolution of the alleged pricing violations.

Open Recommendations to Agencies

To provide adequate assurance that the long-term settlement agreements are equitable and that the companies are able to make these long-term payments, and to provide the opportunity to review the basis for these decisions, the Secretary of Energy should have the Administrator of ERA develop and implement written standardized procedures or guidelines that require: (1) adequate analyses of oil companies' current and past financial condition; (2) resolution of any questions, concerns, or inconsistencies about the

companies' past financial history and the owners' compensation; and (3) adequate documentation of the analyses performed and the basis for the ultimate agreements.

Status: Action not yet initiated. DOE has not responded to this recommendation.

To ensure that each of the DOE agreements accurately states the terms of the settlement, the Secretary of Energy should direct the Administrator of ERA to issue a written policy requiring that both the principal amount which settles an oil company's alleged violations, and the interest amount and terms be specified in the settlement agreement. The Administrator should implement this policy for those cases currently being negotiated and for any future settlement negotiations.

Status: Action not yet initiated. DOE has not responded to this recommendation.

Energy Information, Policy, and Regulation

The Nuclear Waste Policy Act: 1984 Implementation Status, Progress, and Problems

RCED-85-100, 09/30/85

Background

Pursuant to the requirements of the Nuclear Waste Policy Act of 1982, GAO reviewed the Department of Energy's (DOE) progress in implementing the act, focusing on: (1) the DOE approach to selecting a waste disposal site; (2) DOE negotiations with states and Indian tribes for consultation and cooperation agreements; and (3) DOE planning for monitored retrievable spent fuel storage (MRS).

Findings

GAO found that, while DOE achieved several important program objectives in 1984, such as its issuance of final repository siting guidelines and its initiation of spent fuel demonstration projects, DOE has delayed many actions required by the act because of unrealistic scheduling and inadequate contingency planning.

Specifically, GAO found that: (1) delays in the issuance of final siting guidelines occurred because DOE was overly optimistic in its planning; (2) while DOE believes that the act requires that it find only one suitable repository site after final testing, a number of states and other groups have questioned the DOE interpretation and claim that three sites must be found suitable, from which one is to be recommended for a repository; and (3) the DOE approach may jeopardize the program's success because, if backup sites are not available, a successful legal challenge to a site recommendation could cause a major setback to the program. GAO also found that: (1) DOE has negotiated with only one state and an Indian tribe for consultation and cooperation agreements; (2) other states and tribes are waiting for further DOE siting decisions before entering negotiations; and (3) one issue that could affect ac-

ceptance of such agreements is the \$500 million per accident liability limit imposed by law for the nuclear waste activities of DOE and its contractors. In addition, GAO found that it will be difficult for DOE to develop both MRS facilities and repositories in a timely manner because the two parts of the program compete for limited staff and financial resources.

Open Recommendations to Congress

If Congress decides greater conservatism in siting the first repository is needed to provide backup sites, several options are available: (1) confirm the need for alternative sites, but approve the DOE testing plans; (2) require additional testing prior to the DOE recommendation of three sites for characterization; (3) direct DOE to characterize more than three sites; or (4) direct DOE to modify its site

characterization approach by first testing and then characterizing more than three sites.

Status: Action not yet initiated.

If the Price-Anderson Act is extended, Congress should increase the act's limits on liability and indemnification for nuclear incidents involving high-level radioactive waste activities.

Status: Action not yet initiated.

Open Recommendations to Agencies

To keep Congress currently and fully informed of DOE progress in implementing

the nuclear waste management program, the Secretary of Energy should: (1) submit to Congress written reports, similar to those required of other federal agencies under section 114(e)(2) of the Nuclear Waste Policy Act, giving a separate and full accounting of the reasons for and implications of each actual and expected delay in meeting program deadlines; and (2) address any changes to the program's overall policies or strategies, which may deviate from the mission plan, in each annual report of the Office of Civilian Radioactive Waste Management (OCRWM).

Status: Action not yet initiated. DOE has not responded to the final report.

To reduce the risks to the waste management program of delays if a selected site

cannot be successfully characterized, the Secretary of Energy should prepare contingency plans identifying which site or sites would be considered as backup sites to the three recommended for testing and how and under what circumstances that site or sites would be tested.

Status: Action not yet initiated. DOE has not responded to the final report.

To assist Congress in its deliberations on whether to authorize construction of MRS facilities, the Secretary of Energy should explain to Congress in the January 1986 MRS proposal how DOE will ensure that an MRS project would operate within OCRWM so as not to impede progress of the repository program.

Status: Action not yet initiated. DOE has not responded to the final report.

Energy Supply

Actions Needed To Increase Federal Onshore Oil and Gas Exploration and Development

EMD-81-40, 02/11/81

Background

The use of federal lands for fossil fuels exploration has become an important issue. Managing these lands involves difficult trade-offs between the often conflicting issues of development, conservation, and environmental protection. An examination was performed on how the exploration and development of oil and gas from federal lands could be accelerated.

Findings

GAO found that the use of federal lands for fossil fuels exploration and development is hampered by: (1) the unavailability for leasing of prospectively valuable federal oil and gas lands; (2) the imposition of stipulations on leases which restrict exploration and development; and (3) lengthy delays in the approval of federal leases and drilling permits. GAO has determined that the first two of these issues are more significant due to the indefinite duration of actions which have closed lands, the severity of stipulations on leases, the large acreages

involved, and their substantial oil and gas potential.

Open Recommendations to Congress

Congress should determine whether it wishes to be excluded from the review and possible disapproval of decisions to close lands to mineral leasing. If not, Congress should amend section 202(e) of the Federal Land Policy and Management Act to provide that the management decisions closing lands to mineral leasing and affecting smaller sized tracts should be reported to Congress. Section 202(e) should be further amended to require that the Department of the Interior submit, with each report to Congress, the minerals report described in section 204(c)(2) for withdrawals and any other information required in section 204(c)(2) which Congress considers appropriate. Congress should also amend section 3 of the Engle Act so that the withdrawal information for military applications con-

forms with the Land Policy and Management Act's section 204(c)(2) requirements for mineral analyses.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretaries of Agriculture and the Interior should direct the Forest Service and the Bureau of Land Management (BLM), respectively, to establish standards and criteria for the use of restrictive stipulations, such as surface disturbance and no surface occupancy restrictions. Leasable lands should then be inventoried to determine the extent of the use of such stipulations and to verify if the stipulation use meets the standards and criteria. Stipulation uses which are determined to be unjustified should be removed.

Target: Department of the Interior

Status: Action in process. Estimated completion date: 01/86

Energy Supply

Repeal of Unneeded Outer Continental Shelf Production Rate-Setting Functions Would Cut Costs

EMD-82-97, 09/10/82

Background

GAO initiated this report to determine whether there are opportunities to save money or better utilize resources within the Department of the Interior by eliminating unneeded statutory and other reporting requirements involving the production of oil and gas from federal leases on the Outer Continental Shelf (OCS).

Findings

GAO found that, under authority of the OCS Lands Act of 1953 and the OCS Lands Act Amendments of 1978, Interior requires operators of OCS leases

to provide various information regarding the rate at which oil and gas can and will be produced. Three different rates are currently compiled by Interior's Minerals Management Service (MMS): (1) the maximum production rate (MPR); (2) the maximum efficient rate (MER); (3) and the maximum attainable rate (MAR). Most of Interior's rate-setting effort is not useful or necessary and could be curtailed. Although exact figures are not available, the costs on the part of both MMS and industry to collect and report on the production rates are significant. MMS is currently considering revisions to regulations which would eliminate the MER for nonsensitive reservoirs. GAO believes MMS could probably eliminate the MER entirely and use MPR data to

monitor sensitive reservoirs. In addition, MMS officials agree that the MAR is not necessary, since the information needed on OCS production capabilities can be provided through the data supporting the MPR. However, since the MAR is required by statute, legislative relief by Congress is required before it can be discontinued.

Open Recommendations to Congress

Congress should repeal section 606 of the OCS Lands Act Amendments of 1978, 43 U.S.C. 1865, to eliminate the data-gathering and reporting requirements related to the MAR.

Status: Action in process.

Energy Supply

Analysis of the Powder River Basin Federal Coal Lease Sale: Economic Valuation Improvements and Legislative Changes Needed

RCED-83-119, 05/11/83

Background

In response to a congressional request, GAO evaluated many sensitive and controversial issues surrounding the April 28, 1982, sale of coal leases in the Powder River Basin Federal Coal Region and its implications for the overall success of the Federal Coal Management Program.

Findings

GAO found that the Department of the Interior did not investigate the possibility of the disclosure of proprietary data or its potential impact on the sale. However, GAO could not verify the details related to this alleged disclosure. Interior did make two major changes in its coal

lease sale bidding systems to permit the determination of fair market value after the sale rather than before. GAO found that Interior's new entry-level system and minimum bidding concept resulted in the receipt of low bids because of minimal bidder participation. The combined accepted bids on two sales were \$3.5 million less than Interior's original minimum acceptable bid estimates. GAO believed that the approach used by the evaluation team, although imperfect and in need of some adjustment, was reasonable under the circumstances and provided a technically sound basis for estimating the fair market value of the tracts. However, GAO found that the lease value estimates undervalued the tracts by \$95 million.

GAO also noted weaknesses in the fair market value determination procedures, since the procedures were overly dependent on data derived from the sale itself. GAO found that Powder River coal sold at roughly \$100 million less than the GAO estimates of fair market value at the April and October sales. A GAO analysis of maintenance leases showed that none of the tracts sold at fair market value.

Open Recommendations to Congress

Congress should amend the Mineral Lands Leasing Act of 1920, as amended, to: (1) authorize Interior to negotiate captive or maintenance-type leases; and (2) require

Interior to publish for public comment information derived at sequential phases in the lease negotiation process. To ensure public and industry awareness of the lease negotiation process, and to provide ample opportunity for affected parties to influence the process, Interior should be required to publish its: (1) intent to negotiate a proposed main-

tenance lease; (2) decision to negotiate the lease as proposed and its evaluation of public comments; (3) intent to sell the lease and the proposed sale terms; and (4) decision to sell the lease as proposed, or under modified terms, and its evaluation of public comments. To facilitate future evaluations of the negotiation process, Congress should amend the

Mineral Lands Leasing Act of 1920 to require that detailed records be kept of the negotiations, including evidence presented by government and industry representatives, and of its disposition.

Status: Action not yet initiated.

Energy Supply

Congress Should Extend Mandate To Experiment With Alternative Bidding Systems in Leasing Offshore Lands

RCED-83-139, 05/27/83

Background

In response to a congressional request, GAO reviewed the Department of the Interior's use of alternative bidding systems to lease offshore lands for oil and gas development as mandated in the Outer Continental Shelf (OCS) Lands Act Amendments of 1978. Specifically, the report discusses Interior's record in implementing the alternative systems and their impact on company participation and competition in lease sales, Government revenues, diligent lease exploration and production, and administrative costs to the Government.

Findings

GAO found that the initial effects of the alternative bidding systems on company participation and competition generally parallels or betters the results of the traditional system, although upfront money required to obtain leases is not always reduced. GAO compared the alternative bidding systems and found that two of the six sliding scale systems and the cash bonus bid with the 33.3 percent royalty alternative produced especially encouraging results. However, GAO concluded that additional time and testing are needed to determine the full impact of the systems

on Government revenues, lease exploration and production, and administrative costs.

Open Recommendations to Congress

Congress should amend section 8(a) 5(B) of the Outer Continental Shelf Lands Act, as amended, to provide for continued use of alternatives to the cash bonus bid, fixed-royalty bidding system in leasing offshore lands for another 5-year period.

Status: Action not yet initiated.

Energy Supply

Improvements Needed in the Department of the Interior's Measurement of Offshore Oil for Royalty Purposes

RCED-84-78, 04/30/84

Background

Pursuant to a congressional request, GAO reviewed the Department of the Interior's activities relating to the measurement of oil produced on the Outer Continental Shelf. The review focused on: (1) identifying the procedures Interior uses to ensure that offshore oil production is measured accurately for royalty purposes; (2) determining whether offshore operators are complying with regulations concerning the accuracy of production measurement

devices; (3) determining whether Interior uses production measurement data to ensure that sales volumes are reported accurately; and (4) reviewing the extent to which data are being considered for inclusion in the new Automated Royalty Management Program.

Findings

GAO found that, although regulations require that offshore operators test production measurement devices and report test

results to Interior on a monthly basis, the Minerals Management Service (MMS) did not receive approximately 30 percent of the required reports during 1982. Further, MMS did not: (1) identify from test results some meters that were not functioning properly; (2) follow up on meters that were reported as operating improperly; or (3) take corrective measures such as adjusting reported sales volumes for federal royalty purposes. MMS officials attributed the lack of control over test results to a shortage of personnel and indicated that

an automated system for receipt, review, and follow-up of information might be the solution. Although Interior is developing two nationwide automated royalty management systems, it does not plan to include detailed meter testing data to verify the accuracy of offshore oil sales volumes in either system. MMS plans to include this type of data in its regional automated information system which may be used in conjunction with the nationwide systems. GAO believes that further measures will be needed in conjunction with the automated systems to fully ensure that accurate data are being used to compute royalties.

Open Recommendations to Agencies

To better ensure that sales volumes are accurately reported for royalty payment purposes in the Gulf of Mexico Region, the Secretary of the Interior should require the Director, MMS, to implement plans for improved receipt and review of meter testing reports and make greater use of the data it receives for this purpose. Through the use of additional staff recently assigned and adoption of automation, to the extent possible, meter testing reports should be matched with run tickets on a selective basis.

Status: Action in process.

When the Auditing and Financial System and the Production Accounting and Auditing System (PAAS) become fully operational, the Secretary of the Interior should require the Director, MMS, to use the meter testing and run ticket data from its Gulf of Mexico Region's automated information system in conjunction with the PAAS to verify that reported sales volume measurements are accurate by matching meter testing reports with run tickets as a routine audit procedure.

Status: Action in process.

Energy Supply Further Actions Needed To Improve Emergency Preparedness Around Nuclear Powerplants

RCED-84-43, 08/01/84

Background

GAO reported on the adequacy of federal, state, and local offsite emergency planning and preparedness for mitigating the consequences of a nuclear powerplant accident.

Findings

GAO concluded that, although progress has been made since the Three Mile Island accident in 1979, more can and should be done. GAO found that state and local emergency preparedness plans have been developed and tested for all 54 operating nuclear powerplant sites, and 24 of these have met the federal criteria and have been approved by the Federal Emergency Management Agency (FEMA). The reasons that the remaining plans have not been approved relate to their not meeting federal criteria, some local communities not fully participating in the emergency planning process, and the difficulty some state and local governments have experienced in obtaining funding for emergency planning and preparedness. In addition, GAO found that improvements are needed in the exercises conducted to test the adequacy of

state and local planning and preparedness. FEMA and the Nuclear Regulatory Commission rely on states and utilities to plan preparedness tests, but FEMA does not verify the compliance of preparedness plans with federal criteria, and it does not have an agencywide tracking system for ensuring that deficiencies are identified. Finally, GAO found that agencies need to provide better guidance to state and local governments for developing state and local emergency preparedness plans, and that the federal response plan for nuclear powerplant emergencies can be improved by providing for more centralized federal agency control and coordination.

Open Recommendations to Congress

Congress may wish to consider whether stronger central control of the federal response to a nuclear powerplant emergency is needed to improve federal coordination in such an emergency. If such central control is to be established, any proposed legislation would need to designate a federal agency to exercise the control. The proposed legislation should also provide the controlling agency the

authority to require periodic exercises of the federal response plan in each region in conjunction with state and local exercises.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Director, FEMA, should, in consultation with states, develop minimum requirements for exercise scenarios and identify which elements of the federal criteria are most important and must be given priority in exercises.

Status: Action in process.

The Director, FEMA, should develop and implement a program for verifying compliance with elements in the federal emergency preparedness criteria that are not tested in exercises.

Status: Action in process.

The Director, FEMA, should work through the Federal Radiological Preparedness Coordinating Committee to update and expand guidance on using radiation measurement instruments and interpreting the information obtained.

Status: Action in process.

isting radiological emergency training for state and local officials.

The Director, FEMA, should work through the Federal Radiological Preparedness Coordinating Committee to improve ex-

Status: Action in process.

Energy Supply Legislative Changes Are Needed To Authorize Emergency Federal Coal Leasing

RCED-84-17, 08/02/84

Background

Pursuant to a congressional request, GAO reviewed the Department of the Interior's administration of coal leases, focusing on: (1) Interior's emergency lease sale regulations; and (2) the need for legislative and administrative remedies to emergency leasing.

Findings

Interior is required by law to issue federal coal leases by competitive bidding and ensure that the government receives fair market value for the coal. GAO found that Interior has had difficulty carrying out emergency leasing in a manner consistent with the requirements for competitive bidding and receipt of fair market value. Emergency leases are limited to situations where the lease applicant has a clear economic and competitive advantage over other bidders, and these leases have consistently been offered to meet the

needs of the applicant requesting the lease sale. GAO also found that 33 percent of the emergency leases issued in an 18-month period did not produce coal for at least 3 years, as required by Interior regulations, and were not terminated. In addition, GAO found that Interior's method for determining fair market value is flawed because: (1) Interior does not assume that a lease tract has a higher value to an emergency lease applicant than it would on the open market; and (2) Interior's assumption that more than one bidder may be interested in an emergency lease tract has led to unrealistic estimates of the value of lease tracts to emergency lease applicants.

Open Recommendations to Congress

To meet the emergency needs of existing mining operations, Congress should amend the Mineral Lands Leasing Act of

1920 to authorize the Secretary of the Interior to conduct emergency federal coal leasing using negotiated lease sale procedures for carrying it out. The legislation should provide for: (1) a statement of objectives to be achieved through emergency leasing; (2) opportunity for public comment and expressions of competitive leasing interest before conducting negotiated sales; (3) development of guidelines by the Secretary for negotiators to follow which, at a minimum, provide for access to economic and geological data, disclosure and protection of proprietary information, factors to consider in negotiating lease terms and reasonable value for the federal coal, and public disclosure of lease sale results; and (4) promulgation of regulations by the Secretary for designing and implementing an emergency coal leasing program consistent with its objectives and the above standards.

Status: Action in process.

Energy Supply Management Weaknesses Affect Nuclear Regulatory Commission Efforts To Address Safety Issues Common to Nuclear Power Plants

RCED-84-149, 09/19/84

Background

GAO examined the Nuclear Regulatory Commission's (NRC) efforts to address safety issues common to nuclear power

plants and determined if NRC has corrected earlier management weaknesses highlighted in investigation reports of the March 1979 accident at the Three Mile Island (TMI) power plant.

Findings

GAO found that NRC, as a result of the earlier identified safety issues, has increased the rate at which it develops regulatory solutions for these issues. This

more vigorous pace, however, has been overshadowed by the identification of new issues from the TMI accident and other sources. As a result, a larger backlog of unresolved issues exists now than before the accident. GAO also found that NRC has improved its methods for identifying safety issues and determining their importance to safety. NRC does not, however, have sufficient management controls in place to ensure resolution of issues and implementation of appropriate changes to affected nuclear plants and to the NRC regulatory procedures in a timely manner.

Open Recommendations to Congress

Congress may wish to amend the Energy Reorganization Act of 1974 to expand current reporting requirements to include all safety-related generic issues assigned a high-priority ranking.

Status: Action not yet initiated.

Congress may wish to amend the Energy Reorganization Act of 1974 to require that the NRC annual report summarize the total number of generic issues identified, resolved, implemented, and fixed.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Chairman, NRC, should revise the current priority ranking system to increase its reliability as improvements are made in the probabilistic risk assessment methodology.

Status: Action in process.

The Chairman, NRC, should analyze overlapping generic issues to define issue priority better.

Status: Action in process.

The Chairman, NRC, should establish timeframes to prevent delays in peer reviews of the ranking efforts.

Status: Action in process.

The Chairman, NRC, should assess ways to eliminate the backlog of unresolved generic issues sooner than is currently planned. The Chairman should also determine whether adequate resources are available within the agency for this purpose. If adequate resources are not available, the Chairman should consult with the NRC congressional oversight committees to work out a mutually agreeable timetable and the necessary resources.

Status: Action in process.

The Chairman, NRC, should change the generic issue management information system to maintain issue identity through resolution to ensure that these efforts correlate with issue priority.

Status: Action in process.

The Chairman, NRC, should identify those resolved issues requiring changes to the Standard Review Plan and monitor and maintain summary information on their progress.

Status: Action in process.

The Chairman, NRC, should identify those resolved issues requiring changes to operating plants, correlate these issues with multiplant actions, and track them until all of the plants have made the required modifications.

Status: Action in process.

The Chairman, NRC, should develop a multiplant action priority system to ensure that NRC give priority attention to those actions most important to safety.

Status: Action in process.

Energy Supply Interior's Report on OCS Shut-In and Flaring Wells Is Unnecessary

RCED-85-10, 10/30/84

Background

GAO evaluated the methodology that the Secretary of the Interior uses in allowing offshore oil and gas wells to be suspended from production or to burn off natural gas.

Findings

GAO found that: (1) the Department of the Interior relies primarily on data

submitted by well operators, which is verified by Interior's Minerals Management Service; (2) the methodology used for allowing offshore oil and gas wells to be shut-in or to flare natural gas was reasonable; and (3) Interior's procedures were adequate to effectively monitor these activities. GAO also believes that, since Interior's annual report has not been useful to Congress, both the report and the GAO evaluation are no longer necessary.

Open Recommendations to Congress

Congress should repeal section 15(1)(D) of the Outer Continental Shelf Lands Act, as amended, and sections 601(a) and (b) of the Outer Continental Shelf Lands Act Amendments of 1978.

Status: Action in process.

Energy Supply

Improvements Needed in the Department of the Interior's Acquisition of Geophysical Data

RCED-85-9, 11/20/84

Background

In response to a congressional request, GAO reviewed the Department of the Interior's policies and practices for acquiring geophysical data which are important to the Minerals Management Service (MMS) in its evaluation of the petroleum potential of offshore lands.

Findings

Companies which conduct exploration and development of offshore oil and gas are required to provide geophysical data to Interior upon request, and Interior pays companies for the reasonable costs of processing and reproducing, but not for acquiring, such data. GAO found that, in 2 of the 95 contracts which MMS issued for acquiring geophysical data from 1981 through 1983, MMS paid companies for

acquisition costs which were not allowed by the Outer Continental Shelf Lands Act Amendments or Interior regulations. GAO also found that MMS paid widely varying prices for similarly processed geophysical data and could not explain the variations. Although MMS adopted the Federal Procurement Regulations as a basis for contracting for geophysical data, these regulations were not always followed. For example, contracting officers often did not require cost or pricing information and rarely requested audits of proposed contracts. GAO also found that contracting officers did not separately identify acquisition and processing costs as required by regulations. Implementation of a new policy and procedures memorandum may help ensure that payments for data are reasonable and comply with applicable regulations; however, the

memorandum does not provide guidance in paying reproduction costs.

Open Recommendations to Congress

Congress should amend the Outer Continental Shelf Lands Act to require that, whenever any data or information are provided to the Secretary of the Interior, both permittees and lessees be reimbursed only for the reasonable cost of reproducing such data and information if it is in the form and manner normally used by the company. If the Secretary requests the data in another form or manner than used by the lessee or permittee in its normal course of business, the Secretary must pay the reasonable costs attributable to this processing and reproduction.

Status: Action in process.

Energy Supply

Better Inspection Management Would Improve Oversight of Operating Nuclear Plants

RCED-85-5, 04/24/85

Background

GAO reviewed the Nuclear Regulatory Commission's (NRC) management of its operating nuclear power plant inspection program, including: (1) the NRC response to investigative findings concerning the Three Mile Island accident in 1979; (2) documentation for inspection program policies and procedures; and (3) the design and management of the inspection program. To oversee nuclear power plant operations, NRC maintains resident inspectors at each plant to observe daily operations and uses regional inspectors to perform specialized inspection functions.

Findings

GAO found that: (1) many of the NRC inspection personnel and utility officials surveyed believe that the inspection program has improved since the Three Mile Island accident; and (2) most of the individuals surveyed believe that utilities comply with federal regulations and that the inspection program ensures safe nuclear plant operations. However, GAO also found that: (1) despite increasing inspection requirements, the average annual inspection time per plant decreased in 1983; (2) about 40 percent of the inspectors surveyed believe that they do not

have enough time to ensure compliance with regulations; and (3) most survey respondents believe that NRC should increase its inspection resources. In addition, GAO found that the effectiveness of the inspection program is not as high as it should be because NRC does not: (1) use utility industry reports of plant operating experiences to refine inspection procedures or identify needs to readjust inspection priorities; (2) correlate inspection procedures with functional areas identified in annual power plant performance assessments; or (3) use evaluations prepared by utilities and the Institute for Nuclear Power

Operations in inspection program planning. GAO also found that: (1) some NRC inspection procedures are nebulous and need revision; (2) many inspectors believe that they have not received certain mandatory training designed to increase their familiarity with industry standards; and (3) inspectors do not always receive required training because of heavy workloads and inadequate resources.

Open Recommendations to Agencies

To improve the NRC operating nuclear reactor inspection program, the Chairman, NRC, should use information available in the inspection data base to plan and monitor inspections at specific power plants. Analyses of the various types of inspections that are and are not being performed, as well as the frequency of violations detected, should be included in this process.

Status: Action in process.

To improve the NRC operating nuclear reactor inspection program, the Chairman, NRC, should formally correlate the inspection procedures with the functional areas used in annual plant assessments.

Status: Action in process.

To improve the NRC operating nuclear reactor inspection program, the Chairman, NRC, should use risk-based analyses, as appropriate, to aid in evaluating overall inspection program and individual power plant priorities by identifying plant operations and inspection procedures that are most clearly related to control of public risk.

Status: Action in process.

To improve the NRC operating nuclear reactor inspection program, the Chairman, NRC, should use the reports and analyses discussed above to prepare written inspection plans for each plant.

Status: Action in process.

To improve the NRC operating nuclear reactor inspection program, the Chairman, NRC, should establish and implement a policy on how NRC managers and inspectors are to monitor utilities' corrective action to evaluation findings, and recognize these evaluations in inspection plans.

Status: Action in process. Estimated completion date: 12/85

To improve the inspection training program, the Chairman, NRC, should identify mandatory training courses, acceptable reasons for not attending on schedule, and maximum permissible time for rescheduling attendance at these courses.

Status: Action in process.

To improve the inspection training program, the Chairman, NRC, should determine whether the existing training program meets the needs of inspectors in ensuring compliance with NRC regulations at operating nuclear power plants.

Status: Action in process.

Energy Supply

The Department of the Interior's Office of Surface Mining Should More Fully Recover or Eliminate Its Costs of Regulating Coal Mining

RCED-85-33, 05/28/85

Background

GAO reported on the costs which the Department of the Interior's Office of Surface Mining (OSM) incurs for regulating coal mining, measures which OSM could use to recover or reduce these costs, and the impact that recovering these costs would have on coal production and demand.

Findings

GAO found that OSM spent approximately \$65.4 million in fiscal year 1984 to regulate coal mine operations. About \$51.5 million was allocated to program administration and state grants for regulat-

ing mining on federal, state, and private lands. OSM spent another \$13.9 million for research, oversight, and other activities in support of both its own and state regulatory programs. About \$29 million was recovered through permit fees. GAO believes that OSM should assess coal mine operators the actual costs it incurs to review, administer, and enforce permits to mine on federally regulated land which could result in about \$9.3 million in recoveries. GAO found that state fees are generally well below OSM costs and that the grants which the states receive fail to provide an incentive for the states to recover their costs directly from operators. Therefore, GAO believes

that OSM should phase out or substantially reduce grants to states. If this were done, OSM could save up to \$42.2 million annually. However, recovery of support costs for research, oversight, and other activities would require the enactment of special tax legislation. Finally, GAO found that the recovery of all of the costs would have little effect on the national coal demand or result in little change in coal production areas. Although production costs would increase, if these costs were fully reflected in price, demand for coal would be unaffected because it would still be the least expensive fuel used for electrical generation.

Open Recommendations to Congress

If Congress believes that support costs should be recovered, it may wish to consider enacting a special tax on coal operators. The tax would be based on a formula calculated to recover the costs incurred by Interior in overseeing state

programs, providing technical assistance, and for its other support activities.

Status: Action not yet initiated.

the actual costs of reviewing, administering, and enforcing individual permits; and (2) assess these costs against mine operators through permit fees.

Open Recommendations to Agencies

The Secretary of the Interior should require the Director, OSM, to: (1) monitor

Status: Action in process.

Energy Supply
Early Assessment of Interior's Area-Wide Program for Leasing Offshore Lands

RCED-85-66, 07/15/85

Background

Pursuant to a congressional request, GAO discussed the impact of recent areawide sales for leasing offshore lands, including the Department of the Interior's: (1) new bid-acceptance procedures for ensuring that it receives fair market value for leased offshore lands; and (2) streamlined presale planning process for providing states and others affected by offshore activities an opportunity to participate in the process.

Findings

GAO found that: (1) more offshore lands have been leased and exploration is progressing at a faster rate under the areawide program; (2) the stepped-up pace of areawide leasing, by itself, significantly decreased competition and government bid revenues for individual tracts; (3) the shift to areawide leasing was responsible for an average reduction in bids of \$541 per acre leased; and (4) bid revenues have comprised about 67 percent of the total direct revenues received by the government. GAO noted

that the estimated value of each tract was the primary criterion that Interior used to ensure receipt of fair market value; however, because of the large increase in the number of tracts leased, Interior adopted a two-phase bid-acceptance process. During the first phase, Interior awards leases to the higher bidder for tracts receiving adequate competition, and the second phase estimates the value of the tracts not leased during the first phase. GAO also found that: (1) Interior should use its estimates of tract value for assessing the reasonableness of high bids; (2) Interior's past experience showed that relying solely on the receipt of three or more bids did not ensure that the high bid exceeded its estimates of fair market value; and (3) Interior's streamlined presale planning process has reduced the time needed to prepare a sale from about 40 months to 20 months.

Open Recommendations to Congress

Congress should consider whether a need exists for requiring Interior to annually

assess and report on the cumulative effects of the offshore program on the human, marine, and coastal environment.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of the Interior should consider the effects on competition and bid revenues in relation to the anticipated benefits and report the findings to Congress.

Status: Action in process.

In order to become a knowledgeable seller and have increased assurance that the high bids represent fair market value, the Secretary of the Interior should, in those cases where it has good or excellent supporting data to estimate tract values, use its independent estimates of tract value for assessing the adequacy of high bids.

Status: Action not yet initiated. MMS has indicated that it will study this recommendation further.

Energy Supply

The Nuclear Regulatory Commission Should Report on Progress in Implementing Lessons Learned From the Three Mile Island Accident

RCED-85-72, 07/19/85

Background

GAO reviewed the Nuclear Regulatory Commission's (NRC) implementation of the Three Mile Island Action Plan to improve the operation and regulation of commercial nuclear facilities and the progress made by utility companies that operate nuclear power plants.

Findings

GAO found that: (1) most of the work on the Action Plan has been completed; (2) NRC assigned a higher priority to items considered to have the greatest potential for improving safety in the shortest time and at the lowest cost; and

(3) utilities have completed 84 percent of the Action Plan tasks at the 51 plants where information was obtained. GAO noted that: (1) NRC does not plan to complete 20 of the 31 tasks because it considered the tasks to be low in priority; and (2) NRC merged the incomplete Action Plan tasks with generic issues into one management system which replaced the Action Plan as a current statement of the actions necessary to improve nuclear power plant operations and regulation. GAO also found that: (1) the consolidation of all safety issues was reasonable because it allowed NRC to focus its work on the issues most important to safety regardless of how the issues were identified; (2) NRC has moved

away from tracking the Action Plan; and (3) NRC should publicly report on the accomplishments of the plan and show how incomplete tasks will be pursued and reported on under the new management system.

Open Recommendations to Agencies

To inform Congress on utilities' and NRC progress in implementing the Three Mile Island Action Plan, the Chairman, NRC, should report to Congress a one-time, item-by-item accounting of the 176 items listed in the Action Plan.

Status: Action in process.

Financial Management and Information Systems

Accounting Systems in Operation

Oil and Gas Royalty Collections—Longstanding Problems Costing Millions

AFMD-82-6, 10/29/81

Background

GAO reviewed the U.S. Geological Survey's (USGS) continued unsuccessful efforts to collect oil and gas royalties on federal and Indian lands and the serious impact of this problem on the collection of the windfall profit tax.

Findings

Financial management problems in existence 20 years ago persist today because management has not focused on correcting the deficiencies reported. As a result, USGS is not collecting all oil and gas royalties, and millions of dollars owed the government may be going uncollected each year. Moreover, millions of dollars in royalty income are not being collected when due, thereby increasing the government's interest costs. Since 1959, GAO has reported on the need for improved management of the USGS royalty accounting system. USGS still relies almost entirely on production and sales data reported by the oil and gas companies, and little effort is made to verify the accuracy of that data. Because of a breakdown in the royalty accounting system, lease account records are inaccurate, unreliable, and cannot be used to determine if royalties are properly computed and paid. To correct its many longstanding financial management problems, USGS

has established royalty management as a separate entity, hired additional personnel for royalty management, and is designing and implementing a new royalty accounting system. Royalty collection has been further complicated by the windfall profit tax. USGS filed blank quarterly returns for the first quarter of 1981 and has not filed a return for the quarter ended June 30, 1981. Until the new royalty accounting system is working properly, the accuracy of royalty computation will be a problem. Since windfall profit tax calculations are based on royalty payments, they will be incorrectly stated to the extent that royalties are incorrectly stated.

Open Recommendations to Agencies

To ensure that development of the new royalty accounting system is given high priority and sustained effort, the Secretary of the Interior should closely monitor the work to see that the system is properly implemented. In this regard, immediate attention must be given to determining how the production phase will operate and how it will interface with the accounting phase which is currently being designed. Also, in developing the accounting phase, USGS must acquire data on the number of leases and wells for which it is responsible and provide for verification of the royalty computation. The

necessary resources must be provided and milestones must be strictly adhered to.

Target: Department of the Interior

Status: Action in process.

Target: Department of the Interior: Geological Survey

Status: Action in process.

To gain control over information reported by the oil and gas companies, the Secretary of the Interior should direct USGS to include in its current redesign effort a plan which should provide for: (1) establishment of a detailed audit plan for periodic reviews of lease accounts and oil and gas companies' accounting records; (2) devotion of additional resources to the inspection of leases using field inspectors to help verify data reported; (3) coordination with the states to arrange the sharing of the audit and lease inspection function and the exchange of production and sales information; (4) reconciliation of existing lease account records to the extent possible; (5) identification of staff needs and resources for assessing interest on late payments; and (6) faster deposit of royalty payments using electronic funds transfer when possible.

Status: Action in process.

Accounting Systems in Operation Continuing Financial Management Problems at the Equal Employment Opportunity Commission

AFMD-82-72, 05/17/82

Background

GAO was asked to review the financial operations of the Equal Employment Opportunity Commission (EEOC) with emphasis on determining the extent of deficiencies in the EEOC controls over appropriated funds. GAO was requested to issue an interim report in October 1981 on the results of the review at that time.

Findings

GAO found that: (1) accounting records and reports were unreliable, due to problems such as the failure to keep general ledgers and subsidiary ledgers in agreement, to promptly input accounting transactions, and to reconcile obligation balance differences between the central-

ized accounting system and obligations records maintained by program and field offices; (2) receivables, payables, and advances were inaccurately reported, due to the agency's failure to validate obligations, collect receivables, accurately record outstanding loans, settle travel advances, and perform contract audits; and (4) internal controls were weak due to improper segregation of duties, insufficient training and supervision of key accounting and budget personnel, and inadequate internal audit coverage of financial operations. EEOC in recent years has committed a number of questionable acts, some of which violate federal statutes. Specifically EEOC has: (1) obligated funds in one fiscal year (FY) to cover goods and services that were clearly to satisfy needs in future years; (2) failed to review the

validity of the unliquidated obligations as recorded; (3) certified year-end reports for FY 1980 and 1981 as accurate under conditions clearly indicating that the reports contained erroneous data; and (4) entered, with questionable authority, into agreements whereby money was either loaned or granted to private persons.

Open Recommendations to Agencies

The Chairman, EEOC, should recover funds owed EEOC from the loan fund venture and, in the future, prohibit any similar program unless the agency obtains specific congressional authority.

Status: Action in process. Estimated completion date: 02/86

Accounting Systems in Operation Improvements Needed in Operating and Using the Army Automated Facilities Engineer Cost Accounting System

AFMD-82-27, 05/19/82

Background

GAO reported on the need for the Army to improve its automated Facilities Engineer Job Order Cost Accounting System and to better utilize it in managing the operation and maintenance of real property facilities. The review was made to determine whether the Army was operating and using the system in accordance with the approved system design.

Findings

The Army has invested much time and money in designing and implementing this cost and accounting system. By 1982, it had been implemented at about 70 installations. Ultimately, the Army plans to

extend the system to about 150 installations around the world. However, users have not been convinced that the system is sound and that it could lead to more efficient and effective operations. At the installations, cost accounting system data were not being effectively used to manage facility engineer operations. Managers were not being held fully accountable for project costs incurred. At the installations visited, reported actual costs incurred on about 80 percent of the projects varied by more than 10 percent from the estimated costs. On 40 percent of the projects reviewed, reported actual costs varied by more than 50 percent from estimated costs. Managers did not

research these variances and, therefore, did not know why they occurred or how to correct them. Because managers were not using the system, personnel had little incentive to see that system data were accurate, complete, and timely. GAO approved the system design 5 years ago with the understanding that certain problems would be corrected, but this has not been fully accomplished. Adequate training has not been provided to user personnel. Because cost reports produced by the system are so lengthy and do not present data in convenient formats, facility managers have been reluctant to use them. GAO believes that, with the

incorporation of the design changes, the system is worthwhile.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Army to: (1) direct installation operating personnel to prepare and enter cost information into the system in an accurate, complete, and timely manner; (2) revise cost report formats to

permit ready use by management and to include more use of management exception reports; (3) correct the two system design deficiencies which GAO identified when it approved the system; (4) adequately train system users to operate the system and use its reports; and (5) make sure through periodic review that managers use the cost data and other information contained in the automated Facilities Engineer Job Order Cost Accounting System to effectively maintain and operate Army facilities.

Status: Action in process. Estimated completion date: 09/86

The Secretary of Defense should take these actions before the system is implemented at the remaining installations scheduled for conversion.

Status: Action in process. Estimated completion date: 09/86

Accounting Systems in Operation Major Improvements Needed in the Bureau of Indian Affairs' Accounting System

AFMD-82-71, 09/08/82

Background

GAO examined the Bureau of Indian Affairs' (BIA) automated accounting and finance system to determine whether it ensures that: (1) contract and grant cash advances, expenditures, and balances on hand are properly and accurately reported; (2) contract and grant cash advances are not requested prematurely, thus causing balances to exceed immediate and reasonable cash needs; (3) trust fund cash receipts and disbursements are properly handled and controlled and are accurately and completely recorded in the accounting records; (4) trust funds are properly invested; and (5) BIA properly and completely discharges its fiduciary responsibilities as trustee for Indian trust funds.

Findings

GAO found that the accounting system is not functioning properly and that little action has been taken to resolve known problems. Accounting for contracts, grants, and Indian trust funds has lacked attention. Managers cannot

properly discharge their fiduciary responsibility as trustee for the trust funds or control millions of dollars of cash advances to contractors and grantees, because they are not receiving reliable information from their accounting system. GAO believes that recent BIA efforts to enhance its accounting system are misdirected and that its acquisition of new computer equipment will not solve the system's serious design and operating problems. To reestablish accountability and control, BIA needs to take the following corrective action: (1) purge unreliable information from the automated accounting records for contractor and grantee cash advances and trust funds; and (2) develop and implement management controls to ensure compliance with prescribed accounting, internal control, and financial reporting procedures. BIA must also redesign or modify the automated accounting and finance system to correct known, longstanding deficiencies so that managers' financial information needs are met.

Open Recommendations to Agencies

The Secretary of the Interior should direct the Commissioner of BIA to maintain the accounting records for contracts and grants on the accrual basis of accounting.

Status: Action in process. Estimated completion date: 12/86

The Secretary of the Interior should direct the Commissioner of BIA to initiate the redesign or modification of the automated accounting and finance system to eliminate design deficiencies and operate on the accrual basis of accounting. The new system should be adequately documented and the documentation kept up to date. Also, controls should be established to ensure that system modifications are approved before implementation and that the modifications are fully documented. When the system redesign is complete, the new system should be sent to the Comptroller General for approval.

Status: Action in process. Estimated completion date: 12/86

Accounting Systems in Operation

The Social Security Administration's Management of Personal Property at Headquarters Needs Improvement

HRD-83-50, 06/21/83

Background

GAO reviewed the management of personal property which consists of office furniture and equipment required for operations at the Social Security Administration (SSA) headquarters.

Findings

GAO noted that the capitalized value of SSA personal property nationwide is about \$164 million, of which \$143 million is located at SSA headquarters. GAO

found that SSA does not: (1) keep accurate inventory records of its stored personal property; (2) adequately coordinate the disposal of excess property with the General Services Administration (GSA); or (3) make annual property accountability surveys. GAO further noted that these problems existed partly because SSA reorganized several times without monitoring personal property.

Open Recommendations to Agencies

SSA should make annual physical inventories of personal property as required by SSA regulations.

Status: Action in process. Estimated completion date: 07/86

SSA should develop and maintain accurate inventory records of stored personal property.

Status: Action in process. Estimated completion date: 10/87

SSA should make annual property accountability surveys at SSA headquarters.

Status: Action in process. Estimated completion date: 07/86

Accounting Systems in Operation

The Bureau of Public Debt Should Better Control Savings Bond Sales and Redemptions

AFMD-84-16, 10/31/83

Background

GAO reviewed the U.S. Savings Bond Program to determine the adequacy of accounting procedures and internal controls and to identify any losses resulting from irregularities or abuses.

Findings

Savings bonds are sold by agents, to whom blank savings bond stock is provided on consignment by the Bureau of the Public Debt. Fraudulent or unauthorized bond issues cannot be detected until after they are redeemed to the Bureau. GAO believes that the blank stocks should be controlled in the same manner as currency, with one

Bureau office maintaining accounting control over stock inventories and sales. Under the current decentralized approach, the Bureau and the Federal Reserve Banks have not followed recognized controls and accounting procedures for stock distribution, and losses and thefts of stock with a face value totalling \$8.8 million have been reported. Certain Bureau management actions have contributed to abuses and practices leading to stock and monetary losses. These actions include: (1) delaying a program to assess penalty interest on unremitted bond sales proceeds; (2) relieving agents from liability for stock shortages under questionable circumstances; (3) ineffectively controlling debt collection; and (4) paying sales agents on the basis of the number

of transactions handled without regard to work quality. Also, several Bureau accounting practices were inconsistent with laws and recognized procedures, preventing full disclosure of losses and problems.

Open Recommendations to Agencies

The Secretary of the Treasury should take action to institute collection action against the bank employee convicted of the theft of bond stock, pursuant to the Claims Collection Act and implementing standards.

Status: Action in process. Estimated completion date: 06/86

Accounting Systems in Operation

General Services Administration Needs To Improve Its Internal Controls To Prevent Duplicate Payments

AFMD-85-70, 08/20/85

Background

Pursuant to a congressional request, GAO reviewed payment procedures at the General Services Administration (GSA) National Capital Region (NCR) finance center to determine: (1) if, and why, duplicate payments were paid for the same goods and services; and (2) NCR efforts to recover duplicate payments from vendors.

Findings

GAO found that: (1) 32 duplicate payments amounting to \$1.3 million were made due to internal control weaknesses and problems in payment center operating procedures; (2) private vendors were refunding duplicate payments made through the National Electronic Accounting and Reporting (NEAR) system, but NCR officials had not attempted to identify the reason for the duplicate payments; (3) internal controls need to be upgraded; (4) the center relied on manual controls which were not always effective; and (5) manual payments could not be accessed for computer comparisons to prevent future duplicate payments. GAO also found that: (1) the center lacked adequate physical control over documents used to justify payments; (2) some recipients of duplicate payments did not return government checks but refunded the improper amount with their own checks on subsequent invoices; (3) fiscal year 1984 automated payment data were incomplete because numerous manual payments had not been entered in the system files; (4) GSA did not have written procedures instructing clerks to process charges for each billing period separately; (5) accounting records were incomplete; and (6) efforts to collect identified duplicate payments were not promptly pursued.

Open Recommendations to Agencies

To strengthen GSA payment operations and particularly to prevent duplicate payments, the Administrator of General Services should increase the capability of automated controls in the NEAR system so that: (1) duplicate payments processed concurrently on the automated system are detected and rejected; (2) all payments for recurring services are rejected if there has been a previous payment for the same billing period; and (3) comparisons of the unique document control numbers are accomplished in time to remove any duplicate payments from the automated system before the payment tapes are generated.

Status: Action in process.

To strengthen GSA payment operations and particularly to prevent duplicate payments, the Administrator of General Services should develop and implement written procedures which specify under what circumstances the NEAR system automated controls to prevent duplicate payments may be circumvented and the level of supervisory approval required to override them.

Status: Action in process.

The Administrator of General Services should direct the Administrator of NCR to control the bypassing of automated internal control features.

Status: Action in process.

The Administrator of General Services should direct the Administrator of NCR to monitor payment practices to ensure that payment clerks: (1) record separately the charges for different billing periods when processing payments for recurring services such as utilities; and (2) perform the required research to prevent duplicate payments when using a document other than an original invoice as support for a payment. The reason that document was used and the steps taken to prevent duplicating a prior payment should be noted on that document.

Status: Action in process.

The Administrator of General Services should direct the Administrator of NCR to summarize, analyze, and use information regarding duplicate payments that vendors return to identify and correct problems in the payment process including weaknesses in internal controls which allow duplicate payments to occur.

Status: Action in process.

The Administrator of General Services should direct the Administrator of NCR to review the identification numbers for each vendor in the NEAR system files and eliminate any multiple numbers for the same company.

Status: Action not yet initiated. The NCR payment center is closing in January 1986. GSA plans to do this at its other payment centers.

The Administrator of General Services should direct the Administrator of NCR to strengthen procedures for collecting identified duplicate payments. Among the specific required actions are pursuing amounts owed promptly, charging interest on claims outstanding at least 30 days after the date the notice is mailed to the debtor, and assessing other charges such

as penalties and processing and handling fees, as appropriate, for late or defaulted repayments.

Status: Action not yet initiated. The NCR payment center is closing in January 1986. GSA stated that it would clarify and reinforce guidelines for use at other payment centers.

The Administrator of General Services should direct the Administrator of NCR to record all returned payments in the vendor payment history files.

Status: Action in process.

Accounting Systems in Operation Strengthening Internal Controls Would Help the Department of Justice Reduce Duplicate Payments

AFMD-85-72, 08/20/85

Background

Pursuant to a congressional request, GAO reviewed duplicate payments made by federal agencies at selected federal payment centers, including one within the Justice Management Division of the Department of Justice.

Findings

GAO identified, through independent testing of prior payments, weaknesses in the automated and manual controls used to prevent duplicate payments. GAO found that: (1) the automated internal control feature did not identify duplicate payments; (2) payment clerks did not have access to comprehensive payment data needed to prevent duplicate payments; and (3) the payment center contributed to duplicate payments by forwarding more than one vendor invoice for the same goods and services. GAO also found that: (1) the existing automated internal control system showed that it could only detect duplicate payments if the invoice number and amount paid were identical for two or more transactions; (2) the Financial Management Information System (FMIS) routine for preventing duplicate payments currently produces a daily listing of possible duplicates but does not automatically suspend them from the payments in process; (3) manual records were not always complete; and (4) other payment data which would be less susceptible to change on another invoice for the same item were available and could be used to increase the reliability of comparison.

Open Recommendations to Agencies

The Attorney General should direct the Assistant Attorney General for Administration, Justice Management Division, to improve the automated internal control feature for preventing duplicate payments: (1) the automated internal control mechanism should be revised so that it can identify possible duplicate payments in process even when there are variances, such as different invoice numbers, in the data describing or supporting the payment; (2) achieving greater control will require including additional information in the automated files, especially any data unique to payment transactions such as call numbers under Justice's blanket purchase agreements or merchandise delivery or service completion dates; and (3) Justice should use its analysis of why duplicate payments were made to improve its controls for preventing duplicate payments.

Status: Action in process.

The Attorney General should direct the Assistant Attorney General for Administration, Justice Management Division, to convert the automated internal control from a passive to an active feature which stops or holds in suspense any identified potential duplicate payments until they are verified to be valid transactions.

Status: Action in process.

The Attorney General should direct the Assistant Attorney General for Administration, Justice Management Division, to provide payment clerks full access to all automated payment files.

Status: Action in process.

The Attorney General should direct the Assistant Attorney General for Administration, Justice Management Division, to require that staff in the payment center and offices served by FMIS adhere to sound administrative practices: (1) ordering offices should maintain a log of merchandise or services received and review previous entries prior to sending any receipt acknowledgment to the payment center to authorize payment to help avoid forwarding more than one supporting document for the same goods or services; (2) payment center clerks should examine each receipt acknowledgment to identify any with annotations that would indicate that another supporting document for the same goods or services may have been received previously and, before authorizing payment based on any document containing such annotations, payment clerks should research prior payment records to ensure that the same item has not been paid for already; and (3) ordering offices should carefully reconcile the payment center's listings of prior payments with their records of goods or services received to identify any duplicate payments that slipped through earlier system checks.

Status: Action in process.

Accounting Systems in Operation Second-Year Implementation of the Federal Managers' Financial Integrity Act in the Department of Education

HRD-85-78, 09/26/85

Background

GAO reviewed the Department of Education's efforts to implement and comply with the Federal Managers' Financial Integrity Act of 1982 (FIA).

Findings

GAO found that: (1) the Department's second-year implementation of the act identified some new internal control weaknesses; (2) the agency's progress in evaluating accounting systems in 1984 provided a better basis for reporting; (3) there were insufficient internal controls to prevent unauthorized access and manipulation; (4) the agency excluded important program areas from vulnerability assessment coverage and did not effectively focus its assessment of remaining areas on potential risk to fraud; and (5) reviews performed on many major programs have been ineffective for determining the adequacy of internal controls. GAO also found that: (1) there was little assurance that corrective actions would be taken because the agency did not have a complete inventory of identified material weaknesses; (2) a methodology for assessing automated systems' internal controls has not been developed; (3) the agency did not ensure effective implementation of internal control activities by its program offices; (4) six of the Department's largest systems did not conform with the Comptroller General's requirements; and (5) there was no adequate basis to state whether the Department's system of internal controls, taken as a whole, conformed to the act's objectives.

Open Recommendations to Agencies

The Secretary of Education should include in future year-end FIA reports in-

formation disclosing the significance of internal control weaknesses to Department operations.

Status: Action not yet initiated.

The Secretary of Education should establish responsibility within its steering committee or elsewhere in the Department for obtaining program offices' conformance with FIA operating guidelines and timeframes.

Status: Action in process.

The Secretary of Education should establish a focal point for implementing FIA internal control activities in each regional office and establish a regional assessment structure more representative of the functions carried out in departmental regions.

Status: Action not yet initiated.

The Secretary of Education should eliminate vulnerability assessment coverage gaps in Department headquarters.

Status: Action not yet initiated.

The Secretary of Education should modify vulnerability assessments to obtain overall views of assessors on program risk.

Status: Action not yet initiated.

The Secretary of Education should clarify vulnerability assessment questions subject to misinterpretation and provide better focus on risk issues.

Status: Action not yet initiated.

The Secretary of Education should reinforce supervisory review requirements for vulnerability assessments and require that all relevant external reports and evaluations are appropriately considered.

Status: Action not yet initiated.

The Secretary of Education should instruct programming organizations to act on internal control weaknesses when initially disclosed by vulnerability assessments.

Status: Action in process.

The Secretary of Education should establish criteria for determining which completed internal control reviews should be repeated or upgraded and require program organizations to give priority to completing those reviews.

Status: Action not yet initiated.

The Secretary of Education should establish internal control review quality assurance procedures to ensure that limitations in scope, evaluation of control objectives and techniques, testing, and recommended corrective actions are resolved before the results are used as the basis for the annual FIA report to the President and Congress.

Status: Action not yet initiated.

The Secretary of Education should expand internal control review training to improve program staff performance in determining review scope, evaluation of control objectives and techniques, testing, and corrective action. Case studies contrasting specific examples of effective and ineffective performance in these areas would be beneficial.

Status: Action not yet initiated.

The Secretary of Education should implement a tracking system that incorporates findings of GAO, the Office of the Inspector General, and outside evaluations into the process leading to the preparation of the Education year-end FIA report.

Status: Action not yet initiated.

The Secretary of Education should provide for ongoing testing of internal control weaknesses reported as corrected in the Department's tracking system.

Status: Action in process.

The Secretary of Education should establish meaningful target dates for correcting all material weaknesses based on the time when final actions resolving the weaknesses are expected to occur.

Status: Action not yet initiated.

The Secretary of Education should complete separate internal control evaluations of its major automatic data processing (ADP) systems to establish a more meaningful basis for future reporting on the adequacy of ADP internal control systems.

Status: Action in process.

The Secretary of Education should direct program and administrative offices to expand testing to all accounting systems not undergoing substantial modifications and include the use of hypothetical transactions in testing.

Status: Action in process.

The Secretary of Education should direct program and administrative offices to include information in corrective action monitoring reports on short-term measures considered, original target dates, and completed accounting system improvements.

Status: Action not yet initiated.

The Secretary of Education should direct program and administrative offices to give accounting system managers additional guidance, through training and questionnaire clarification, on applying the Comptroller General's accounting principles, standards, and related requirements in evaluating its systems.

Status: Action in process.

The Secretary of Education should direct program and administrative offices to report the significance of accounting systems out of conformance with the Comptroller General's requirements and the seriousness of weaknesses in these systems.

Status: Action not yet initiated.

Internal Audit

The Federal Audit Function in the Territories Should Be Strengthened

AFMD-82-23, 03/25/82

Background

The principal U.S. territories of American Samoa, Guam, the Northern Mariana Islands, the Virgin Islands, and the Trust Territory of the Pacific Islands have had longstanding problems in their financial management systems. The Department of the Interior's U.S. Government Comptrollers are presently responsible for auditing all significant aspects of governmental operations and federal programs in these territories. Because of the substantial federal assistance provided to the territories and the difficulty they have improving and maintaining adequate financial management systems, the federal audit function is still needed. GAO reviewed the organization and the functions of the offices of the U.S. Government Comptrollers as part of its continuing efforts to improve the federal internal audit capability.

Findings

GAO stated that the Comptrollers are located in a line organization that has management responsibility for the activities being audited and do not report to a high enough level in the Interior. Consequently, their independence has been impaired. Also, the establishment of close relationships between auditors and territorial officials may have affected the Comptrollers' ability to work in an impartial manner. GAO also found that a large portion of the Comptrollers' limited audit staff is devoted to preparing an ill-defined annual report of the fiscal condition of the government, and this is reducing their audit coverage of other territorial programs and operations. GAO concluded that a strengthened federal audit presence alone is not enough to improve the economy and efficiency of the territorial governments. The territories need to assume greater responsibility

for establishing and maintaining strong financial management systems to ensure proper control and accountability over federal and local funds, but they cannot do the job alone; they need federal technical assistance. Such assistance, coupled with an improved territorial government internal audit capability, would further enhance federal audit effectiveness.

Open Recommendations to Agencies

The President's Personal Representative for Micronesian Status Negotiations should, when negotiating the remaining agreements terminating the Trust Territory of the Pacific Islands, specifically the subsidiary agreement on auditing, develop a federal audit capability with respect to the new Governments of the

Marshall Islands, the Federated States of Micronesia, and Palau with authority and

responsibilities comparable to those of the U.S. Government Comptrollers.

Status: Action in process.

Internal Audit State Department's Office of Inspector General Should Be More Independent and Effective

AFMD-83-56, 06/02/83

Background

In response to a congressional request, GAO reviewed the operations of the Department of State's Office of the Inspector General (OIG) to determine how differences between its authorizing legislation, the Foreign Service Act of 1980, and the Inspector General Act affect the State OIG work.

Findings

GAO found that the Foreign Service Act included several important differences from the basic Inspector General Act which permit the new State OIG to continue to operate like old OIG's rather than functioning like the new independent statutory OIG's established in other agencies. GAO believes that more independence is needed in the State OIG, because it found a number of situations in which the independence of the State Inspector General (IG) inspection, audit, and investigative functions could have

been impaired. In addition to doing traditional audit functions, OIG is required to inspect and audit each foreign post and domestic unit at least once every 5 years. GAO believes that management, not OIG, should be responsible for these routine inspections. The role of the independent audit organization should be to evaluate how well agency management is carrying out its basic responsibilities, including its routine monitoring and assessment functions. In addition, GAO found that OIG has little operational control over investigations into allegations of fraud, waste, and abuse. It relies on the Office of Security to conduct these investigations. GAO believes that this constitutes an organizational impairment which has caused delays and a poorer quality of investigations. Finally, GAO has found that government audit standards are not being complied with and that the quality of OIG work has suffered due to the lack of staff training and experience, severe time constraints, and the lack of documentation.

Open Recommendations to Agencies

The IG should establish a quality review system to ensure that the work of the office complies with government audit standards.

Status: Action in process.

The Secretary of State and the IG should work together to establish a permanent IG staff of qualified auditors, and discontinue OIG reliance on a temporary staff whose tenure, promotions, and reassignments are decided by departmental managers.

Target: Department of State

Status: Action in process.

Target: Department of State; Office of the Inspector General

Status: Action in process.

Internal Audit Department of Defense Progress in Resolving Contract Audits

AFMD-84-4, 10/27/83

Background

In response to a congressional request, GAO evaluated the Department of Defense's (DOD) contract audit resolution system to determine whether: (1) procurement officials comply with resolution system requirements; (2) the system meets government standards; and (3) the system needs improving.

Findings

Before the 1982 revisions, the contract auditing resolution system did not work as intended because of design weaknesses and procurement officials did not comply with system requirements. Further, DOD experienced mixed results in resolving audits. As of March 31, 1983, there were about 600 contract audits with questioned costs of \$1.7 billion which had remained unresolved for more than 6

months. This represented a 55-percent increase over the previous year. While the revisions made in the system corrected many of the weaknesses, the revised system had just become operational and it was too early for GAO to determine the extent of compliance with system requirements. If properly implemented, the system should satisfy almost all government requirements for audit resolution. However, a few changes are still needed

to improve effectiveness and ensure the most economical operation.

Open Recommendations to Agencies

The Inspector General, DOD, should periodically audit contracting officer resolution decisions.

Status: Action in process. Estimated completion date: 09/86

The Secretary of Defense should require performance appraisals to reflect officials' effectiveness in resolving contract audits.

Status: Action not yet initiated. DOD Directive 7640.2 will be revised to institute this recommendation. However, the Defense Logistics Agency and service officials have indicated to the Inspector General that performance appraisals of appropriate officials will reflect their ef-

fectiveness in resolving contract audits before changes are made in the Directive.

The Secretary of Defense should compare the cost of having the Defense Contract Audit Agency report the status of audit resolutions with the cost of current requirements and implement the less costly approach.

Status: Action not yet initiated. The Office of the Inspector General plans to conduct an analysis.

Internal Audit

Impact of Administrative Budget Procedures on Independence of Offices of Inspector General

AFMD-84-78, 09/26/84

Background

Pursuant to a congressional request, GAO reviewed the budget and funding processes for 17 offices of inspector general (OIG) and the potential of these processes to affect OIG independence.

Findings

GAO stated that the legislation which established OIG gave extensive consideration to balancing OIG independence and agency management's needs. By requiring statutory inspectors general (IG) to report directly to agency heads or their deputies,

this legislation sought to ensure the independence of IG's by placing them at a sufficiently high organizational level to insulate them from internal agency pressure. Agency budget processes that, in effect, delegate decisions on the resource levels of IG's below the level of agency head or deputy may appear to be an impediment to OIG independence, especially where there is a conflict of interest. Further, OIG independence may appear to be impaired when agencies can easily reprogram funds to other agency operations. Finally, because IG's are not always given the opportunity to present and justify their resource needs, the Office

of Management and Budget and Congress are not fully aware of those needs.

Open Recommendations to Congress

Congressional appropriations and authorizing committees should specify a funding floor for OIG activities in appropriations where funds of OIG are commingled with funds for other activities and request that each IG testify before Congress in support of his or her OIG budget request.

Status: Action not yet initiated.

Internal Audit

Compliance With Professional Standards by the Commerce Inspector General

AFMD-85-57, 08/12/85

Background

GAO reviewed the Department of Commerce Office of the Inspector General's (OIG) compliance with professional standards to determine whether: (1) audits were conducted in accordance with generally accepted government auditing standards; (2) investigations were performed in compliance with professional

standards; and (3) inspections complied with the Inspector General's (IG) own policies and procedures for documenting observations and recommendations contained in inspection reports.

Findings

GAO found that: (1) the IG audit function satisfactorily complied with the profes-

sional standards in the areas of staff qualifications, organizational and external impairments to independence, and fraud and abuse, but corrective action was needed in the areas of supervision, internal controls, and audit follow-up; and (2) the quality control system did not adequately communicate to the audit staff the policies and procedures to be followed

to ensure compliance with audit standards in certain areas. GAO also found that: (1) the IG satisfactorily complied with professional investigative standards concerning staff qualifications, screening allegations, and the establishment of a quality assurance program, but corrective action was needed in the areas of preserving confidentiality, planning, and reporting; (2) the IG made a number of improvements in the inspection functions, but there were still some problems in documenting the inspection work; and (3) improvements were needed in the written quality control policies and procedures to ensure better compliance with professional standards.

Open Recommendations to Agencies

The IG should ensure that the remaining planned revisions to the directive system are completed within the most recently established timeframes.

Status: Action in process. Estimated completion date: 12/85

The IG should distribute a copy of the directive system to each staff member.

Status: Action in process.

The IG should require that all auditors take training in those areas in which deficiencies were identified, including compliance with generally accepted government auditing standards on supervision, evidence, reporting, internal control identification and evaluation, and audit follow-up.

Status: Action in process. Estimated completion date: 09/86

The IG should implement a quality assurance program that requires independent reviews of individual audit assignment compliance with standards and ensures the accuracy of report information.

Status: Action in process.

The IG should hold audit managers, supervisors, and division and office directors responsible, through the annual appraisal process, for ensuring that their staffs and all work performed by them conform with the standards.

Status: Action in process.

To assist OIG in satisfactorily complying with certain aspects of the proposed standards, the IG should train investigators in preparing these plans.

Status: Action in process. Estimated completion date: 09/86

To assist OIG in satisfactorily complying with certain aspects of the proposed standards, the IG should prepare guidance for the investigators that alerts them to ways that investigative files can inadvertently provide clues about the identity of a confidential source.

Status: Action in process. Estimated completion date: 09/86

To strengthen controls for ensuring investigators are free of financial impairments to their personal independence, the IG should instruct new investigators at the GM-13 level and above to submit financial disclosures which the IG or other OIG management officials will review.

Status: Action not yet initiated. The IG plans to act on this recommendation as soon as the Department of Justice completes its ongoing study of the requirement for financial disclosure statements and conflicts of interest.

The IG should determine why some investigators perceive inadequacies in staff training and appraisals and act to improve those perceptions.

Status: Action in process. Estimated completion date: 09/86

The IG should reiterate the importance of complying with OIG written quality control policies and procedures regarding workpaper support for inspection report observations and recommendations.

Status: Action in process. Estimated completion date: 12/85

The IG should revise written quality control policies and procedures to designate that inspection team supervisors should ensure adherence to the OIG workpaper support requirement for inspection report observations and recommendations.

Status: Action in process. Estimated completion date: 12/85

The IG should require that inspection reports include appropriate scope statements and limitations.

Status: Action in process. Estimated completion date: 12/85

Regulatory Accounting Rules and Financial Reporting Disclaimer of Opinion on the Financial Statements of the Pension Benefit Guaranty Corporation for FY 1980

AFMD-82-42, 06/23/82

Background

GAO examined the combined statement of the financial condition of the Pension Benefit Guaranty Corporation (PBGC) as of September 30, 1980, the related combined statements of operations and changes in the deficiency in net assets, and the changes in financial condition for the year then ended.

Findings

The examination disclosed material accounting and estimating problems, internal control weaknesses, and major uncertainties that significantly reduce the

reliability of important account balances. Because of the matters discussed in the report, GAO was not able to express an opinion on whether PBGC statements presented fairly its financial condition and the results of its operations and changes in financial condition for fiscal year 1980.

Open Recommendations to Agencies

The Executive Director of PBGC should:

- (1) develop a system for financial statement reporting that values benefits on a current, individual participant basis;

- (2) substantiate the reasonableness of actuarial assumptions, estimation techniques, and models;
- (3) determine reasons for changes in the pension plan inventory and establish allowances in the financial statements for expected variances;
- (4) establish accounting controls and procedures to reconcile financial data maintained by separate computer systems;
- (5) develop policies and procedures for substantiating information provided by external organizations.

Status: Action in process. Estimated completion date: 09/86

General Government

Funding Gaps Jeopardize Federal Government Operations

PAD-81-31, 03/03/81

Background

Interruptions in federal agency funding at the beginning of the fiscal year and operating on continuing resolutions have become the norm rather than the exception. During the normal deliberations process on appropriations for fiscal year 1981, it became clear that a funding gap might develop. In response to the President's request for an opinion on the Antideficiency Act, the Attorney General ruled that the act requires agencies to terminate all operations when their current appropriations expire. In addition, the Attorney General stated that the Department of Justice would strictly enforce the criminal provisions of the act in cases of future willful violations.

Findings

Agencies were uncertain how to respond to the Attorney General's opinion and what activities they would be able to

continue if appropriations expired. In addition, guidance from Justice and the Office of Management and Budget was inconsistent, and neither provided clear instructions for agencies to follow. There are many approaches to the problem of funding gaps: (1) Congress could enact permanent legislation authorizing agencies to incur obligations but not expend funds for continued operations during periods of expired appropriations; (2) the Antideficiency Act could be amended to allow agencies to incur obligations for continued operations when appropriations expire; (3) the rules of both Houses could be amended to require all appropriations acts to include language conferring authority to continue to incur but not liquidate obligations at the level authorized until superseded by another funding measure; (4) limitation and legislative riders on appropriations bills and continuing resolutions could be forbidden or made to require a two-thirds vote for passage; or (5) continuation of the pay

of federal civilian and military employees could be provided for in periods of expired appropriations.

Open Recommendations to Congress

Congress should consider shifting more programs to authorization and appropriations cycles of 2 or more years.

Status: Action in process.

Congress should enact permanent legislation to allow all agencies to incur obligations, but not expend funds, when appropriations expire, except where program authorization has expired or Congress has expressly stated that a program should be suspended during a funding hiatus pending further legislative action.

Status: Action not yet initiated.

Recurring Reports to Congress—Efforts To Eliminate or Modify Certain Reporting Requirements

AFMD-85-49, 04/01/85

Background

After an Office of Management and Budget survey to identify unneeded executive reports to Congress, GAO identified several reporting requirements which it believes that Congress should consider in legislative proposals designed to achieve cost savings and eliminate or modify unneeded reporting requirements.

Findings

GAO found that the original purpose for the Secretary of the Interior's report on oil well shutdowns and the flaring of natural gas which is required by the Outer Continental Shelf Lands Act Amendments of 1978 has been superseded by full decontrol of oil prices in 1981 and a current phaseout of controls over natural gas prices; therefore, GAO review and evaluation of this report is unnecessary. Furthermore, since Interior is responsible for monitoring offshore oil and gas well production, the Secretary's an-

nual reporting requirement of production is unnecessary. In addition, GAO found that a separate annual report to Congress on Office of Personnel Management and Merit Systems Protection Board activities is unnecessary and, by eliminating the requirement, GAO would have more flexibility in planning and scheduling work at these agencies and avoid possible duplication. Further, GAO found that the Congressional Budget Act's requirement for an annual GAO report on progress to improve program and budget information is no longer needed since

periodic GAO reports and testimony keep Congress aware of this progress. Finally, GAO found that the Amtrak Improvement Act could be revised to make the performance and audit report function discretionary rather than mandatory, which would give GAO more flexibility in planning and scheduling AMTRAK work.

Open Recommendations to Congress

Congress should repeal section 601(b) of the Outer Continental Shelf Lands Act Amendments of 1978 to eliminate the

requirement for the Comptroller General's review and evaluation.

Status: Action in process.

Congress should amend the Civil Service Reform Act to eliminate the requirement for a GAO annual report.

Status: Action in process.

Congress should amend the Congressional Budget and Impoundment Control Act of 1974 to eliminate the GAO annual report on progress to improve program and budget information for Congress.

Status: Action in process.

Section 11(1) of the Amtrak Improvement Act of 1974 (45 U.S.C. 644(2)) should be amended by: (1) striking from paragraph (A) "The Comptroller General of the United States shall conduct annually a performance audit" and inserting in lieu thereof "The Comptroller General of the United States may conduct audits;" and (2) repealing paragraph (C).

Status: Action in process.

Central Fiscal Operations Improvements Needed in Controlling and Accounting for Treasury Banking Arrangements

AFMD-85-22, 04/03/85

Background

GAO reported on controlling and accounting for Department of the Treasury banking arrangements with commercial banks for handling federal agencies' deposits.

Findings

GAO found that Treasury's costs to have commercial banks process the deposits were being increased by about \$14 million annually because delays deprive Treasury of the use of the funds and increase the government's interest cost to the extent that additional funds need to be borrowed to meet commitments. GAO also found deficiencies in controls over bank delays of funds collected through lockboxes and the Treasury Financial Communications System.

Open Recommendations to Agencies

The Secretary of the Treasury should advise federal agencies of their responsibilities for detecting bank delays.

Status: Action in process. Estimated completion date: 03/86

The Secretary of the Treasury should charge all banks delaying funds transfers.

Status: Action in process. Estimated completion date: 12/86

The Secretary of the Treasury should establish control standards for monitoring lockbox collections that must be implemented by all agencies using those systems.

Status: Action in process. Estimated completion date: 09/86

The Secretary of the Treasury should include costs of compensating banks for banking services in the Department's annual appropriation request.

Status: Action not yet initiated. The information has been prepared for submission with Treasury's budget. However, no decision has been made on the information in the final submission to Congress.

The Secretary of the Treasury should consistently monitor bank charges and compensation to ensure that the overall costs to the government are minimized.

Status: Action in process. Estimated completion date: 12/86

Central Fiscal Operations

Savings Can Be Realized if Nonappropriated Fund Instrumentalities Pay for Their Unemployment Costs

GGD-85-51, 07/09/85

Background

During a review of unemployment benefit payments to former federal employees, GAO identified an opportunity for the Department of Defense (DOD) to save several million dollars in appropriated funds annually.

Findings

GAO found that DOD does not require nonappropriated fund instrumentalities (NAFI) to pay for unemployment benefits received by former NAFI employees. Since fiscal year 1982, about \$22 million in DOD appropriated funds

have been paid to the Department of Labor to cover NAFI unemployment costs. GAO believes a requirement that NAFI-generated funds be used to cover these costs would: (1) be consistent with a DOD policy to reduce the scope and magnitude of appropriated fund support for NAFI activities; and (2) provide an incentive for NAFI managers to reduce unemployment costs. GAO noted that: (1) no other federal agency uses appropriated funds to pay NAFI unemployment costs; (2) congressional subcommittees have directed DOD to use NAFI-generated funds to cover NAFI unemployment costs; and (3) DOD could use current accounting procedures to allocate

unemployment costs to each individual NAFI.

Open Recommendations to Agencies

The Secretary of Defense should require that NAFI-generated funds be used to pay for unemployment benefits received by former NAFI employees.

Status: Action not yet initiated. Action to implement this recommendation will be included in the preparation of the fiscal year 1987 budget.

Central Personnel Management

OPM Needs To Provide Better Guidance to Agencies for Approving Government-Funded College Courses for Employees

FPCD-82-61, 09/20/82

Background

In response to a congressional request, GAO reviewed government expenditures for its employees to attend college courses as well as expenditures on organizational dues which are a part of training expenses.

Findings

Federal agencies pay for a wide range of college courses. Agencies vary in their judgments of the types of training-related costs they will pay, whether college courses can be taken during duty time, and restrictions on the number and types of courses which employees may take. In the four activities which GAO visited, most employees and supervisors interviewed believed that the college courses

which the employees took were necessary for performing agency functions; however, GAO did not see how some of the courses taken by employees related to their official duties. Although the Government Employees Training Act requires government-financed college courses to be related to employees' official duties, the Office of Personnel Management (OPM) definition of official duties is not specific. Additional guidance is needed, particularly as the act relates to future duties. None of the activities visited had systematic procedures to determine whether the agencies are benefiting from paying for employees to attend courses. At the four activities, employees' leaving their agencies soon after completing courses did not appear to be a problem. Three of the four activities visited had

also paid organizational dues during fiscal year (FY) 1980. Although most of the memberships were purchased in the names of the activities, one activity purchased two memberships for individuals. At the four activities, memberships in the Toastmasters clubs were not purchased during FY 1980.

Open Recommendations to Agencies

The Director of OPM should develop more specific guidance for federal agencies to use in determining the kinds of college courses they may approve and pay for, particularly those courses that relate to future duties employees may assume. Agencies should be required to have an established target position for trainees

which can be reached within a specific time. The Director should emphasize to agencies the importance of establishing and implementing a system to evaluate

and assess the effect that college training has on participants' performance and to ensure that skills acquired from college training are being used. OPM should assist

agencies in developing their evaluation methodology.

Status: Action in process. Estimated completion date: 02/86

Central Personnel Management Classification and Qualification Standards for the GS-1410 Library-Information Service Series

GGD-83-97, 08/12/83

Background

In response to a congressional request, GAO reviewed the Office of Personnel Management's (OPM) development of proposed classification and qualification standards for the Library-Information Service occupational series.

Findings

GAO determined that OPM did not exceed its legal authority to develop classification and qualification standards and that its actions were generally consistent with those affecting other recently developed standards. However, OPM has not fully addressed the criticisms made by librarians regarding proposed changes that would: (1) reduce the entry grade for

persons hired with a Master of Library Science degree earned in less than 2 full academic years; and (2) redefine the GS-5 entry-level requirements. GAO also believes that librarians' concerns about documentation and sampling aspects of OPM methodology deserve further consideration. GAO suggests that, to further enhance the credibility of its surveys, OPM may wish to research the feasibility of conducting statistically reliable occupational surveys and providing for a documentation process that shows more clearly how conclusions are supported.

Open Recommendations to Agencies

OPM should consider determining whether: (1) federal librarians hired at

GS-9 with less than a 2-year Master of Library Science degree and no experience have typically performed all of the duties and responsibilities of the GS-9 position successfully; and (2) federal librarians hired without the Master of Library Science degree typically performed all duties and responsibilities successfully and were able to progress through the career ladder.

Status: Action not yet initiated. OPM classification actions remain suspended pending the results of its evaluation of the entire standards process. OPM classification actions on this standard are a low priority with no set date for further action due to a continuing review of standards development policies.

Central Personnel Management New Performance Appraisals Beneficial but Refinements Needed

GGD-83-72, 09/15/83

Background

GAO reviewed, on a selected basis, performance appraisal systems for General Schedule employees established by federal agencies under the Civil Service Reform Act of 1978. The act directed agencies to develop objective criteria for supervisors to use in rating employees' performance and determining appropriate personnel actions.

Findings

GAO found that, although there appears to be better communication between employees and supervisors since implementation of the performance appraisal systems, many important aspects require improvements before performance appraisal systems can be used as credible bases for personnel actions. A GAO examination of the standard-setting and appraisal evaluation processes at three agencies revealed that: (1) many

employees did not actively participate in setting their performance standards; (2) not all employees were advised of the standards by which their performance would be evaluated at the beginning of their appraisal periods; (3) performance levels and measurable performance standards were not clearly defined; (4) some appraisals were not completed on a timely basis; (5) some agencies' procedures for determining summary ratings were ambiguous or unnecessarily complicated; (6) higher level officials' reviews of rat-

ings were often perfunctory; and (7) procedures for linking performance appraisal results with personnel decisions were often vague. GAO concluded that the Office of Personnel Management (OPM) needs to ensure that agencies take appropriate actions to make the necessary refinements to their appraisal systems.

Open Recommendations to Agencies

The Director, OPM, should develop and propose an amendment to the Civil Ser-

vice Reform Act clearly stating that denying a within-grade increase is a performance-related action covered under section 4303.

Status: Action in process. Estimated completion date: 02/86

The Director, OPM, should research the potential value of generic standards for large occupational groups that agencies could use as a basis for developing specific standards for employees in those occupations.

Status: Action in process.

The Director, OPM, should require a second-level review of employees' performance standards at the beginning of appraisal periods to ensure that those standards contain the desired characteristics of objectivity and measurability.

Status: Action in process. Estimated completion date: 02/86

Central Personnel Management Reduction in Force Can Sometimes Be More Costly to Agencies Than Attrition and Furlough

PEMD-85-6, 07/24/85

Background

GAO documented an analysis of the savings and costs of reductions-in-force (RIF) at eight agencies and provided a methodology for other agencies to use to compare the potential fiscal impacts of RIF and attrition when there is a need to reduce staff. Included are assessments of the extensiveness of downgrading resulting from RIF and a detailed analysis of the effects of RIF on the employment status of women and minorities.

Findings

GAO found that each of the RIF examined had a distinctive pattern of savings and costs, downgrading, and consequences for women and minorities; therefore, each prediction would be specific to the agency considering RIF. When budgetary and indirect costs are considered, many RIF were not cost-effective for the agencies when compared to attrition, and net savings were sometimes small enough to make furloughs a reasonable alternative. There were also some positive effects on the civil service retirement system because of the substantial loss of future paid

benefits to separated employees; however, early retirements increased costs initially. GAO found that the cost of downgrading employees was one of the highest costs in all RIF since there was a high incidence of post-RIF promotion; therefore, RIF may lead to substantial disruption to agencies as downgraded employees are promoted and others voluntarily leave. Examinations of RIF separations showed large disparities between women and men and between minorities and nonminorities and was higher than if they had left voluntarily. GAO believes that thoroughly examining the comparable savings and costs for attrition and furloughs prior to RIF would provide a stronger basis for choosing alternatives when staffing or budgetary reductions are required.

Open Recommendations to Agencies

The Office of Management and Budget may wish to consider the following strategy or checklist that agencies could use in comparing RIF with attrition and furlough when faced with the need for reducing personnel levels or budgetary

expenditures. Although agencies would be unable to make an exact estimate of RIF savings and costs, they could make the calculations necessary to decide between alternatives. Essential to this assessment is being able to calculate attrition rates for specific jobs series and grades. Once an agency decided which positions to abolish, if it had specific data on attrition, it could estimate how long it would take to lose these positions by attrition and how much in salaries a RIF could save compared to attrition. The next step is to calculate the cost items. At this point, an estimate of the budgetary effect of a RIF could be made by subtracting severance pay, lump-sum leave, and contract costs from the previously calculated salary savings. For a picture of the overall affect, the net total can be further refined by examining the cost of downgrading. In order for a RIF to result in a savings, what remains would have to be sufficiently high to cover the costs of processing and administration, appeals and grievances, job-search assistance, and rehiring.

Status: Action in process.

Central Personnel Management Comparison of Federal and Private Sector Pay and Benefits

GGD-85-72, 09/04/85

Background

Pursuant to a congressional request, GAO provided current information on private sector and federal white-collar employee compensation packages. By law, federal employees' salaries are set at a level equitable and comparable with similar levels of work in the private sector unless the President proposes alternative federal pay rates. There is no such requirement for benefits comparability. GAO analyzed several pay and benefits comparability studies conducted by private and federal organizations but did not independently validate the data contained in the studies.

Findings

GAO noted that an independent study found that: (1) as of 1984, federal employees' total compensation averaged 7.2 percent less than that for private sector employees; and (2) in 1985, the difference increased to 9 percent or more

because the federal pay increase for 1985 was limited to less than the average pay increase in the private sector. GAO found that: (1) frequent presidential use of alternative pay rates has caused pay for federal employees to lag significantly behind that for private sector employees; (2) an 18.28 percent federal pay increase would be necessary to achieve federal pay comparability in 1985; (3) the federal retirement system is better than the average private sector system because it is worth more as a percentage of the average employee's pay, and federal retirement benefits are adjusted annually to offset consumer price increases; (4) private studies indicated that private sector employers generally pay a higher share of employee health insurance premiums than does the government; (5) private sector employee life insurance programs provide more basic coverage than the federal employee program, usually at no cost to the employee; (6) while federal employees generally receive one less

holiday than private sector employees, this is offset by more generous federal annual leave benefits; and (7) federal sick leave lags behind the average private sector illness and disability income plan by 0.7 percent of pay.

Open Recommendations to Congress

In considering future changes and adjustments to elements of the federal compensation program, Congress may wish to make such decisions from the perspective of their effect on overall compensation levels. If such an approach is deemed appropriate, a mechanism for periodically measuring and assessing benefit program comparability will be necessary to complement the pay comparability process already required by law.

Status: Action not yet initiated.

Executive Direction and Management

Bank Secrecy Act Reporting Requirements Have Not Yet Met Expectations, Suggesting Need for Amendment

GGD-81-80, 07/23/81

Background

The implementation of the Bank Secrecy Act's reporting requirements and their usefulness to law enforcement efforts were reviewed. Congress envisioned that the reporting requirements of the act would be useful for tracking the financial resources associated with criminal activities and the profits gained from these illegal activities. However, GAO found that the reports required under the act are not widely used and their potential utility as an investigative tool is unknown. The Department of the Treasury, respon-

sible for implementing the act, has initiated actions along with other agencies to correct many of the problems hindering the use of the reports. However, GAO believes that further improvements are needed if the act is to be effectively implemented. GAO also believes that it is time for an overall assessment of the costs and benefits of the act's reporting requirements to determine their usefulness.

Findings

GAO found that, after 10 years, the act has not been used sufficiently to

demonstrate whether the demands it places on the private sector, especially financial institutions, are commensurate with the benefits obtained by the federal government. GAO believes that the next 2 to 3 years will be crucial to demonstrating the cost-effectiveness of the act's reporting requirements. Recent actions taken by Treasury and the regulatory agencies to improve implementation and compliance, coupled with a greater emphasis on financial investigations by law enforcement agencies, suggest that the act's requirements may now be receiving the attention that Congress envisioned.

However, as law enforcement agencies focus more on detecting the financial resources of organized criminals and as more attention is given to the effects of federal regulatory activities on the national economy, Treasury will have to demonstrate better that the usefulness of the act reports justifies the costs. If this cannot be demonstrated, then GAO

believes that the act's reporting requirements should be repealed.

Open Recommendations to Agencies

The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, should revise Treasury's

act data dissemination guidelines to provide law enforcement investigators easier access to act report data and regulatory examiners' data to verify financial institutions' report filings.

Status: Action in process. Estimated completion date: 03/86

Executive Direction and Management

Improved Standards Needed for Managing and Reporting Income Generated Under Federal Assistance Programs

GGD-83-55, 07/22/83

Background

GAO reviewed federal agencies' and grantees' policies and practices for managing and reporting income generated under federally assisted programs.

Findings

GAO found that a number of federal agencies have not established regulations conforming to the Office of Management and Budget's (OMB) grant-related income standards or are not adequately implementing their grant-related income regulations. GAO also found that the OMB standards do not address all grant-related income issues and that the income reporting requirements are not clear. As a result, the objectives which the income standards sought to attain, such as using the income to increase the size of federally assisted programs or to reduce the federal government's and grantees' share of program costs, are not always being attained.

Open Recommendations to Agencies

The Director, OMB, should revise Circulars A-102 and A-110 to expand the definition of program income and the financial reporting requirements to ensure that all income generated under federally assisted projects, including interest and sales proceeds, is accounted for and reported by assistance recipients.

Status: Action in process.

The Director, OMB, should revise Circulars A-102 and A-110 to establish standards for the disposition of interest earned on: (1) program income; (2) funds not pending disbursement because of completed projects, audit exceptions, or contract settlements; and (3) sales proceeds.

Status: Action in process.

The Director, OMB, should revise Circulars A-102 and A-110 to establish standards addressing the timing and allowability of program income expenditures and the classification of income derived from products of the land such as oil, gas, minerals, gravel, and standing timber.

Status: Action in process.

The Director, OMB, should revise Circulars A-102 and A-110 to expand the description of the deductive option to note that its objective of reduced costs to the government will not be achieved unless total grantee expenditures are limited to the budgeted amount approved in the grant award.

Status: Action in process.

The Director, OMB, should revise Circulars A-102 and A-110 to incorporate in the standards a statement that federal agencies should specify in their regulations which program income option is to be used by grantees when grant agreements fail to specify an option.

Status: Action in process.

The Director, OMB, should revise Circulars A-102 and A-110 to clarify in the instructions for Standard Forms 270 and 272 that all income retained by grantees is to be subtracted on their requests for drawdowns.

Status: Action in process.

Executive Direction and Management

The Department of the Interior Should Improve Its Policies and Practices on Grant-Related Income

GGD-83-75, 08/26/83

Background

GAO performed a governmentwide review of federal agencies' and grantees' policies and practices on handling income generated under federally assisted programs.

Findings

GAO found that a number of federal agencies, including the Department of the Interior, had not established regulations addressing some grant-related income issues, were not conforming to the Office of Management and Budget's grant-related income standards, and were not adequately implementing their grant-related income regulations. As a result, the objective which the income standards sought to attain, that of using the income to increase the size of the federally assisted programs or to reduce the federal government's and grantees' shares of program costs, was not always being attained.

Open Recommendations to Agencies

The Secretary of the Interior should direct the National Park Service (NPS) and the Fish and Wildlife Service (FWS) to review grantees' practices on the use of income and to emphasize that program income must be used for program purposes.

Status: Action in process.

The Secretary of the Interior should direct NPS and FWS to establish regulations governing the: (1) timing and allowability of program income expenditures; and (2) disposition of interest earned on invested program income funds.

Status: Action in process.

The Secretary of the Interior should direct FWS officials to determine whether any federal share exists in the interest earned on the two Florida wildlife accounts.

Status: Action in process.

The Secretary of the Interior should direct NPS and FWS to review and, where appropriate, revise their regulations on the options available to grantees for using program income to ensure that they reflect statutory requirements and clarify them as appropriate to remove internal conflicts.

Status: Action in process.

The Secretary of the Interior should direct FWS officials to be consistent in requiring grantees to account for and report on income from the sale of wildlife management area permits, taking into consideration the FWS policy statement on this issue.

Status: Action in process.

The Secretary of the Interior should direct FWS to require grantees to use the Financial Status Report for reporting program income and all other types of grant-related income.

Status: Action in process.

Executive Direction and Management

Department of Health and Human Services Should Improve Policies and Practices on Grant-Related Income

GGD-84-20, 02/10/84

Background

GAO reviewed federal agencies' and grantees' practices and policies for reporting and disposing of federal grant-related income.

Findings

GAO found that a number of federal agencies, including the Department of

Health and Human Services (HHS), have not established regulations conforming to the Office of Management and Budget's (OMB) grant-related income standards or were not adequately implementing their grant-related income regulations. As a result, the OMB objectives for utilizing program revenues to increase program size or to decrease program costs are not always being met.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Office of the Assistant Secretary for Management and Budget to amend the HHS departmentwide regulations on grant-related income to provide that: (1) income under all options be spent before federal funds unless the granting agency

authorizes deferral to a later period; (2) all types of grant-related income, including sales proceeds and interest, be reported; (3) when the deductive option is used, grant budgets not be allowed to increase merely because unexpected program income was generated; and (4) interest earned on the federal share of funds not pending disbursement for program purposes be returned.

Status: Action in process.

The Secretary of Health and Human Services should direct the Office of the Assistant Secretary for Management and

Budget and the Office of Human Development Services (OHDS) to review and, where appropriate, revise their regulations and policies on the options available to grantees for using program income to ensure that they reflect statutory requirements and to clarify them to remove internal conflicts.

Status: Action in process.

The Secretary of Health and Human Services should direct the Public Health Service (PHS) and OHDS, in concert with the Office of the Assistant Secretary for

Management and Budget, to revise their financial reporting forms to provide for reporting on the source, amount, and disposition of all grant-related income.

Status: Action in process.

The Secretary of Health and Human Services should direct PHS and OHDS to enforce their regulations requiring non-state grantees to return interest earned on advanced federal funds.

Status: Action in process.

Executive Direction and Management

OMB Actions Show Progress in Implementing the Paperwork Reduction Act of 1980

IMTEC-84-24, 09/07/84

Background

In response to a congressional request, GAO provided information on whether: (1) the Office of Management and Budget's (OMB) Office of Information and Regulatory Affairs (OIRA) is making progress in implementing the Paperwork Reduction Act; (2) OIRA should be reauthorized; (3) conflicts exist between a 6-year program to improve the management and administrative systems across the federal government and OIRA activities; (4) claims of reduced paperwork burdens are accurate; (5) OIRA staff time is being diverted to activities other than paperwork reduction; (6) the annual report to Congress meets the act's annual reporting requirements; and (7) OIRA is making a sincere effort to accomplish the intent of the act.

Findings

GAO found that, since April 1983, OIRA has initiated guidance on information technology and statistical activities and made progress in the areas of paperwork management and agency reviews. OIRA has provided limited verbal guidance

to agencies in four areas of responsibility and written guidance on paperwork management. OIRA has initiated joint reviews of agency management activities. However, these reviews have not resulted in reports to Congress. GAO found no conflict between the 6-year program to improve management and administrative systems across the federal government and OIRA activities. In addition, paperwork burden reductions have been considerable, but not as great as OMB has claimed. Furthermore, OIRA staff have reported that a substantial amount of their time is spent on tasks related to paperwork reduction. GAO found that OIRA actions have met the act's annual report requirements and, since the 1983 report, OIRA has completed 2 of the 13 tasks which Congress considered essential for successful implementation of the act. OIRA issued a 5-year automatic data processing and telecommunications plan and has developed a Federal Information Locator System, audit standards, and a draft information resources management plan. However, much more needs to be done before the act can be considered fully implemented. Based on the results of the review, GAO had no basis to conclude that the OIRA efforts to implement the act are not sincere.

Open Recommendations to Congress

Congress should reauthorize funding for the Paperwork Reduction Act and OIRA.

Status: Action not yet initiated.

Congress and the appropriate congressional committees should explore with the Director of OMB whether OIRA progress to date meets congressional expectations and whether additional resources should be approved to speed progress in implementing the act.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Director of OMB should direct OIRA to take prompt action to provide clear, updated, written guidance to the agencies for implementing their responsibilities in all areas covered by the act, including the areas of information technology, statistics, privacy, and records management.

Status: Action in process.

Executive Direction and Management

Accuracy, Cost, and Users of the Consolidated Federal Funds Report

AFMD-85-1, 10/01/84

Background

In accordance with the Consolidated Federal Funds Report Act, GAO examined the accuracy of the data in the Consolidated Federal Funds Report (CFFR), its cost, and its potential users.

Findings

The CFFR for fiscal year 1983 provided statistical data on the geographic distribution of federal funds to states, counties, and cities in a two-volume document and a computer tape. The estimated cost for the 1983 CFFR was about \$476,000. The 1983 CFFR reflected approximately 85 percent of the domestic budget, with the major exclusion being net interest on the federal debt. GAO found that the visibility of funds reported in the CFFR declined

progressively at each lower geographic level, with data at the subcounty level being so limited that their usefulness was questionable. The decline in data availability was due to the fact that the data sources on which the CFFR was based generally did not track dollars to the location of all the actual recipients. In addition, inherent difficulties existed in converting the various geographic coding schemes used by the data sources to the coding scheme used by the Census Bureau. A broad spectrum of user groups expressed a need for the CFFR data. Some users were particularly concerned about the lack of data available on pass-through funds below the state level. Many user groups expect the CFFR to meet some of their needs, but they will probably use it along with other sources. However, user knowledge is limited.

Open Recommendations to Agencies

The Director of the Office of Management and Budget should continue efforts to explore the feasibility of various alternatives to increase the visibility of pass-through funds data at the county level and include these data in future reports if such alternatives are cost-effective.

Status: Action in process.

The Director of the Office of Management and Budget should continue to work with user groups to identify their data needs and to obtain their input on desired improvements.

Status: Action in process.

General Property and Records Management

Coast Guard Personnel Records Storage Areas Need Fire Protection Systems

GGD-81-72, 04/22/81

Background

The U.S. Coast Guard maintains over 6,000 officer and over 30,000 enlisted personnel records in two rooms at the Transpoint Building in Washington, D.C. GAO reviewed the official personnel records of the Coast Guard to determine how efficiently the records were being maintained.

Findings

GAO believes that the Coast Guard should acquire fire protection systems to protect its records. Although the

government leases the Transpoint Building, government-occupied space is subject to the building fire safety standards established by the Public Buildings Service (PBS). According to PBS criteria, only one of the two rooms used to store the records requires an automatic sprinkler protection system. However, GAO believes that the importance of the records and the expense of replacing them warrants installation of the system in both rooms. The Coast Guard stated that it intends to install a fire protection system during the upcoming renovation of the building.

Open Recommendations to Agencies

The Coast Guard should take action now to protect the records because the renovation has already been delayed once and could be delayed further.

Status: Action not yet initiated. The Coast Guard agreed that fire protection measures are needed, but the funding for the work has not been approved. It has no estimate of when the work will be done.

General Property and Records Management

Consolidation of GSA Depot Function Can Save Millions and Improve the Use of Depot Resources

PLRD-82-109, 08/16/82

Background

GAO reviewed the General Services Administration (GSA) depot system for storing and distributing commonly used supply items.

Findings

Over the past 10 years, the system has been reduced from 25 to 15 depots; however, GAO believes that the system can be further reduced to 8 depots, which would save nearly \$7 million annually in space costs. In addition, due to the high degree of commonality of supply items among the depots, inventory could be reduced by \$25 million. GAO also believes that the consolidation could improve supply performance by using depot personnel more effectively. Since

GSA uses an economic order quantity formula to manage common supply items, the number of receipts and the receipt processing workload would be reduced as well. Transportation costs could be increased by the proposed consolidation. However, the increases in transportation costs would be partially offset by savings resulting from fewer total shipments from suppliers. GAO estimates that the one-time personnel costs of consolidation would be about \$3 million. Nonpersonnel costs would vary, depending on how the consolidation is accomplished. If consolidation is accomplished over an extended period, nonpersonnel costs could be minimized. As an alternative to consolidating the GSA depot system, GAO considered the potential benefits of transferring the depot function to the Defense

Logistics Agency (DLA). However, due to higher staffing requirements at the DLA depots, GAO believes that greater savings could be achieved by retaining and consolidating the function within the GSA depot system.

Open Recommendations to Agencies

The Administrator of General Services should direct the Commissioner of the Federal Supply Service to immediately begin action to consolidate its depot system and assess the benefits of consolidating the inventory management and procurement functions along with the depot consolidation.

Status: Action in process.

General Property and Records Management

More Guidance and Controls Needed Over Federal Recordkeeping Requirements Imposed on the Public

GGD-83-42, 04/28/83

Background

GAO reviewed compliance with a provision of the Paperwork Reduction Act of 1980, which requires the Office of Management and Budget (OMB) to develop standards relating to federally imposed record retention requirements, to determine whether the government has acted to reduce the impact of those requirements.

Findings

GAO found that some businesses are confused about the length of time they must keep records for the federal

government. GAO also found that some businesses have a difficult time identifying and interpreting federal recordkeeping requirements. These businesses believe this burden could be minimized if the government would provide them with a dependable guide to identify applicable federal recordkeeping requirements. GAO believes that OMB should develop such a guide as part of its responsibility under the act. Effective control of federal recordkeeping requirements requires that OMB establish reasonable retention standards for agencies to follow and that it ensure that agencies follow them. OMB has taken preliminary steps toward es-

tablishing standards; however, these steps have been done piecemeal and have been given a low priority. Consequently, little progress has been made toward developing useful record retention standards.

Open Recommendations to Agencies

The Director, OMB, should direct the OIRA Administrator to work with GSA to reinstate publication of a guide to federal recordkeeping requirements.

Status: Action in process.

General Property and Records Management

The District Is Working To Increase Competition and Ensure Reasonable Prices for Supply and Service Contracts

GGD-84-33, 04/26/84

Background

GAO reviewed 19 year-end procurements conducted by the District of Columbia to evaluate the District's procurement policies and regulations.

Findings

GAO found that the District made contract awards in 13 of the 19 procurements without competition, despite regulations that require that competition be obtained to the maximum practicable extent. Six of the contracts that were awarded without competition were formally advertised and seven were negotiated. GAO believes that, while the year-end contracting rush may have contributed to problems, inadequate regulations and enforcement were the underlying causes of the identified problems. The reasons the District did not obtain adequate competition included: (1) unnecessary brand name specifications; (2) use of the public exigency exception

without adequate evidence that an urgent need existed; (3) limited efforts to identify potential sources; and (4) inadequate coordination between procuring agencies and the District agency that processes and regulates procurement actions. In addition, GAO found little evidence to indicate that the District determined that contract prices were reasonable. GAO noted that the District has taken steps to improve its procurement policies and regulations.

Open Recommendations to Agencies

The Mayor should require the Director of Administrative Services to establish and enforce procurement policies and regulations which require District agencies, before they solicit contract proposals, to submit to Administrative Services written justification for waiving the requirement to formally advertise a procurement

action and to adequately justify public exigency as authority to negotiate.

Status: Action in process.

The Mayor should require the Director of Administrative Services to establish and enforce procurement policies and regulations which require District agencies to adequately justify public exigency as authority to negotiate. The regulations should stipulate that, before Administrative Services authorizes negotiation, the user agency must document the compelling and unusual urgency and the date the supplies or services are needed.

Status: Action in process.

The Mayor should require the Director of Administrative Services to implement and enforce regulations governing the use and exercise of contract option clauses.

Status: Action in process.

General Property and Records Management

Better Management of Information Resources at the Bureau of Indian Affairs Could Reduce Waste and Improve Productivity

IMTEC-85-1, 12/21/84

Background

GAO reviewed the Bureau of Indian Affairs' (BIA) information resources management (IRM) program to determine: (1) the extent to which BIA was using modern technology to help employees reduce costs and improve productivity; and (2) how effectively BIA managed its automated data processing (ADP) equipment, information systems, and forms.

Findings

GAO found that, although Office of Management and Budget (OMB) and BIA internal directives require that ADP equipment be inventoried periodically and that equipment not be installed until needed, BIA has no effective means for carrying out these requirements. As a result, BIA does not always know what ADP equipment it has, where it is located, and how it is being used. In addition, GAO found that the BIA coordination of information systems and oversight of informa-

tion collection activities is not effectively managed, resulting in: (1) ADP equipment not being used; (2) the development and maintenance of duplicative or overlapping information systems; (3) noncompliance with forms approval directives; and (4) the use of unapproved forms. Although the Department of the Interior has established an Office of Data Systems in BIA, additional actions are needed to improve the management of information resources. BIA has not given the office the responsibility for: (1) overseeing funds

used in developing and maintaining information system software; or (2) reviewing and approving information collection instruments that do not affect automated processing.

Open Recommendations to Agencies

The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs,

BIA, to either expand the responsibilities of the Director of the Office of Data Systems or appoint a senior official to serve as the BIA IRM manager. This person, who should report to the Assistant Secretary or the Deputy Assistant Secretary for Indian Affairs, would be responsible and accountable for managing all BIA ADP equipment, information

systems development, and forms. BIA should reassign, hire, or otherwise appoint professionals to assist this manager in carrying out the assigned responsibilities.

Status: Action in process.

Legislative Functions

No Strong Indication That Restrictions on Executive Branch Lobbying Should Be Expanded

GGD-84-46, 03/20/84

Background

Pursuant to a congressional request, GAO surveyed executive branch agencies and congressional staffs to determine: (1) what types of agency lobbying activities are considered permissible by congressional staffs and agency legislative liaison personnel, and what types are impermissible; and (2) whether more extensive controls over agency lobbying activities are warranted.

Findings

GAO found that laws which restrict the use of appropriated funds for lobbying purposes are ambiguous. The applicable criminal statute historically has not been interpreted as preventing federal officials from directly attempting to influence legislative actions. GAO found that most of those surveyed believed that applicable statutes and written agency guidelines are unclear and unenforceable,

except in extreme cases. In addition, GAO found diverging opinions on the ethics of various hypothetical agency lobbying practices. Many congressional staff personnel believed that more direct dialogue between the legislative and executive branches should be encouraged as a counterweight to pressure from private sector lobbies. GAO found little support for stricter controls on executive agency lobbying activities. Many of those interviewed cited other, equally effective deterrents to unethical lobbying activities, such as the threats of media exposure, political backlash, and potential embarrassment. Very few of those interviewed believed that executive branch lobbying constitutes a serious threat to the integrity of the legislative process.

Open Recommendations to Congress

While GAO is not recommending new statutory restraints on executive branch

lobbying, Congress should enact one of the currently temporary appropriation restrictions on indirect lobbying into permanent law as section 1352, Title 31, United States Code. GAO proposes the following provision: "Except as otherwise provided by law, an appropriation may not be used other than for activities that involve direct communications between executive and legislative branch officials: (1) for publicity and propaganda purposes, for the preparation, distribution, or use of any kit, pamphlet, booklet, publication, radio, television, or film presentation designed to support or defeat legislation pending before the Congress; and (2) to pay the salary or expenses of any grant or contract recipient or agent acting for such recipient to engage in any activity designed to influence legislation or appropriations pending before the Congress."

Status: Action not yet initiated.

Legislative Functions

Budget Treatment of Monetary Credits

AFMD-85-21, 04/08/85

Background

Pursuant to a congressional request, GAO reported on the use of monetary credits as a financing technique for government acquisitions. When monetary credits are used, the government purchases property by promising to reduce the amount it may later collect on other transactions from the seller. Monetary credits do not entail cash disbursements and are frequently not recognized or controlled in budget processes as a form of spending.

Findings

GAO found that the amount of monetary credits that could be issued under existing statutes could reach at least \$400 million, exclusive of any interest that might be added to the value of unredeemed credits. In addition, redemption of credits would reduce the retained collections of the redeeming agencies. While existing monetary credit statutes do not

contain limits on credit amounts, Congress and the President have acted to bring monetary credits under appropriations control by including limits on cash or monetary credit purchases in budget requests and appropriations bills. GAO believes that the establishment of such limits is consistent with the intent of the Congressional Budget and Impoundment Control Act of 1974. GAO also compared two possible approaches to including monetary credits in budget processes. Under one approach, credit issuances are treated as cash expenditures and recorded as budget outlays and, under the other, appropriations are made to restore agencies' retained collections when reduced by credit redemption.

Open Recommendations to Congress

Congress should amend the Congressional Budget and Impoundment Control Act of 1974 to provide that it shall not be in order for either the House of

Representatives or the Senate to consider any monetary credit bill or resolution unless it includes a provision stating that the monetary credit authorization is to be effective only to the extent or in such amounts as are provided in appropriation acts.

Status: Action in process.

Congress should amend the Congressional Budget and Impoundment Control Act of 1974 to provide that it shall not be in order for either the House of Representatives or the Senate to consider any monetary credit bill or resolution, unless it includes in any such bill or resolution whose credits when redeemed could reduce collections retained by an agency a further provision requiring before credit issuance an appropriation, budget authority, to restore retained collections that are reduced by redemptions.

Status: Action in process.

Other General Government

Federal Capital Budgeting: A Collection of Haphazard Practices

PAD-81-19, 02/26/81

Background

The federal government has enormous amounts of capital assets and helps fund state and local projects. Much of these federally owned and financed items are deteriorating, and the government is faced with the prospect of either repairing or rehabilitating them or risking a staggering replacement burden in the future. Industry, most states, and municipalities follow a capital budgeting procedure, but the federal government does not. A study was conducted of capital investment data

and the planning and budgeting experiences of numerous public and private organizations.

Findings

GAO concluded that a policy-level approach to capital investment must be added to the federal government's decisionmaking process, and sound, up-to-date information is needed to support that approach. Government agencies need to closely monitor the implementation of capital investment programs, audit their

results, and check the condition of operating facilities and equipment. GAO found that deteriorating public capital assets are partly the result of state and local neglect. Federally owned assets appear to be in better condition than state and local assets, but they too suffer from obsolescence and deterioration. The Postal Service had the most desirable planning, budgeting, and control features that could be readily adopted by other federal agencies. Many factors have contributed to the problems of capital investment in the federal government: (1) managers'

views; (2) congressional authorization and budgetary procedures; (3) limited resources available for capital; and (4) too little monitoring or oversight of ongoing and completed capital projects. Short-term strategies are implemented in capital investment areas, increased costs of federal capital programs are passed on to states without recognition, and no effective national capital improvement plan exists. Consequently, the federal government's ability to stop the decline of physical capital is severely limited. Uncontrollable outlays have reduced the funds available for physical capital investments.

Open Recommendations to Agencies

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President, should work with federal agencies and state and local organizations to ensure that federally financed physical capital is adequately maintained.

Status: Action not yet initiated. P.L. 98-501 established an independent council that has the authority to study this and report to the President and Congress. The council is to report in 1986, 1987, and 1988.

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President, should work with lead federal agencies to review and streamline the guidance on analyses used to justify capital projects. The streamlined guidance should ensure that all agencies, before requesting project approval, conduct analyses of life-cycle costs for all capital projects and analyses of alternatives for meeting capital needs.

Status: Action not yet initiated. The newly established Council on Public Works Improvement may study this and report to the President and Congress.

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President, should, in January of each even-numbered year, submit to Congress a 4-year outlook report summarizing the plans for at least 4 future years of federal capital investment programs and their expected contributions to the nation's infrastructure.

Status: Action in process.

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should work through state and local organizations to develop periodic assessments of

the condition of federally financed physical capital that is owned by state and local governments.

Status: Action not yet initiated. P.L. 98-501 requires the National Council on Public Works Improvements to develop and recommend, to Congress and the President, guidelines for uniform reporting.

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should provide leadership and guidance to federal agencies to tailor their report information to meet the specific needs of the President and Congress for decisions on capital investment policy, legislation, and budget analysis. Leadership and guidance should take the form of: (1) requiring the federal agencies to develop, use, and submit, timed to the budget cycle, capital investment information focusing on identification of long-term needs, long-term plans for meeting needs, budget-year plan addressing long-term needs, and status of projects previously approved; and (2) summarizing information on federal capital investment activities and submitting it to Congress with the President's budget.

Status: Action in process.

Other General Government

A \$4 Billion Census in 1990? Timely Decisions on Alternatives to 1980 Procedures Can Save Millions

GGD-82-13, 02/22/82

Background

To aid Congress and the Census Bureau in planning for the next census, GAO reviewed portions of the 1980 census program concerning mailing list development, follow-up on nonrespondents, and activities to reduce the number of persons missed.

Findings

Census results are extremely important to the nation because they determine the apportionment of representation and affect the distribution of billions of federal dollars annually. By changing current census procedures, millions could be saved in conducting the 1990 census. Attempting to get a complete count is a costly and complex process. GAO believes that the value of individual procedures in reducing the undercount should be reviewed and efforts made to control

their costs while maintaining reasonable accuracy. Compiling a national mailing list prior to census day is critical to ensure as complete a count as possible. However, the cost of compiling mailing lists can be reduced by obtaining addresses directly from the Postal Service. Increasing the time between mailout and start of follow-up operations could alleviate wasteful follow-up practices. Programs aimed at reducing the undercount, namely the vacancy check program and the records check program, were the least cost-

effective operations conducted during a census.

Open Recommendations to Congress

Congress should enact legislation, if the Secretary of Commerce decides to purchase address information for the 1990 census from the Postal Service, that: (1) specifically authorizes the Postal Service to provide the Census Bureau address information; and (2) protects the confidentiality of address information provided to the Census Bureau by the Postal Service.

Status: Action in process.

Open Recommendations to Agencies

The Secretary of Commerce should, in cooperation with the Postmaster General, comprehensively evaluate alternatives for developing address data for the 1990 census.

Status: Action in process. Estimated completion date: 01/87

The Secretary of Commerce should test the feasibility of using mail reminder cards and follow-up mailings. If one or both of the techniques prove to be adequate to meet Commerce's needs, they should be used as alternatives to reduce the need for personal visit interviews for the 1990 census.

Status: Action in process. Estimated completion date: 09/88

The Secretary of Commerce should extend the time between census day and the start of follow-up operations to allow field staffs enough time to sort out duplicate and inappropriately mailed questionnaires and to allow them time to check in late mail returns.

Status: Action in process. Estimated completion date: 01/88

The Secretary of Commerce should evaluate the feasibility of increased use of imputation, where legally permissible, as a method for developing census information on difficult-to-enumerate households.

Status: Action in process. Estimated completion date: 06/88

The Secretary of Commerce should evaluate the cost and effectiveness of 1980 census coverage improvement programs to determine if they should be used in the 1990 census. When practical, the evaluation should: (1) identify the cost and result of each 1980 coverage improvement program for various geographical areas and target groups; (2) test the sensitivity of program costs and results to changes in the assumptions upon which the programs are based, such as increasing and decreasing the levels of program activity on target groups and in geographic areas; and (3) express 1990 estimates of cost and results

for coverage improvement programs in ranges of values by target groups and geographic areas rather than just a single national value.

Status: Action in process. Estimated completion date: 06/88

The Secretary of Commerce should evaluate coverage improvement programs used in future censuses by compiling aggregate cost and results data on the operations. The data to be gathered should track the results of coverage improvement programs at the state and sub-state levels, also by target groups.

Status: Action in process.

The Secretary of Commerce should, by 1984: (1) have the Census Bureau conduct pilot tests to develop better cost and effectiveness information on updating the 1980 mailing lists and for purchasing lists from the Postal Service to ascertain the quality and cost of mailing lists produced by these alternatives; and (2) compare the results of the pilot tests with comparable information compiled on the 1980 census and any other alternative the Census Bureau may identify and, after considering the quality and cost of the mailing lists produced, select the best method.

Status: Action in process. Estimated completion date: 01/87

Other General Government

Federal Review of Intrastate Branching Applications Can Be Reduced

GGD-82-31, 02/24/82

Background

Federal regulation of intrastate domestic bank branching sets the guidelines for the safety and soundness of any office, branch agency, additional offices, or any branch place of business located in any of the United States or its territories or in the District of Columbia at which deposits are received, checks paid, or

money lent. The federal regulators, state governments, and banks are intertwined in the branching process by a mixture of federal and state laws. However, current federal review of new branch applications rarely restricts branch actions, produces little new information of supervisory value and, in the case of state-chartered banks, duplicates state efforts. GAO reviewed

the efficiency and effectiveness of the federal processes for regulating intrastate branching.

Findings

Federal reviews require information from applicants that may not be needed and that delays branch investment decisions. GAO found that: (1) virtually all state

bank applicants were classified by their federal regulators as fundamentally sound, and most of these applicants had previous branching experience; (2) the majority of state bank branching placements are located close to existing bank operations; (3) less than 3 percent of the applications were protested in 1979 and 1980; (4) only 17 percent of the branch applications were denied by federal regulators from 1975 through 1980; (5) reviews of an applicant bank's capacity to branch rely extensively on data and analyses already in the possession of the regulator; and (6) reviews of branch impact on the recipient

community are difficult and duplicate state efforts. GAO questioned the policy of the Office of the Comptroller of the Currency which provides for an extensive review of each application. GAO believes that an exception-generated review approach for its conclusions and recommendations should be used. Because federal regulatory agencies treat bank remote facilities as they do staffed branches, banks must receive federal agency approval to establish these facilities even when the state involved does not consider the facilities to be branches. GAO believes that such a review is no longer

necessary for state banks and should be further reduced for national banks, because such facilities represent minor actions. This would ensure regulatory consistency.

Open Recommendations to Congress

Congress should amend the McFadden Act and the Federal Deposit Insurance Act to differentiate between staffed branches and remote service facilities.

Status: Action not yet initiated.

Other General Government Bank Merger Process Should Be Modernized and Simplified

GGD-82-53, 08/16/82

Background

Because of recent increases in the number of bank mergers and the potential for further increases, GAO reviewed the federal laws and regulatory supervision for approving bank mergers.

Findings

Broadly speaking, in acting on merger applications, federal and state agencies consider the following factors: (1) the financial condition of the applicant banks, (2) the character and experience of the management of the surviving bank, (3) whether the convenience and needs of the community will be served, and (4) the effects of the merger on competition. Although federal bank regulators' assessments of the competitive effects of proposed mergers receive the most consideration and involve the most controversy, the agencies' evaluations are not uniform, and specific criteria have not been developed for making the evaluations. The ways by which the regulators defined the relevant market to be used in evaluating competitive effects of proposed mergers differed and lacked uniform criteria in applying the line of commerce and potential competition concepts. This has resulted in conflicting decisions by federal regulators and encourages agency shop-

ping whereby parties to a merger seek out the federal bank regulator possessing the most lenient standards for assessing mergers. GAO also found that, despite its frequent use, the phantom bank merger process is expensive, time consuming, and burdensome to banks, bank holding companies (BHC), and federal regulators. This complicated process is used because banking laws do not provide for shell corporations which serve similar purposes for nonbank corporations. Finally, GAO concluded that changes are needed in both agency practices and merger law to reduce the processing time for merger applications.

Open Recommendations to Congress

Congress should amend the Bank Merger Act to provide that the banking agencies, to the extent practicable and within available data limitations, consider competing nonbank financial institutions in evaluating the competitive effects of a bank merger.

Status: Action not yet initiated.

Congress should amend the Bank Holding Company Act to permit BHC to acquire, by an exchange of stock, total control of an operating national bank subject to approval of the Federal Reserve and upon the affirmative vote of the shareholders owning at least two-thirds of that bank's outstanding capital voting stock. The amendment should provide that: (1) the appropriate BHC application be accompanied by a plan of acquisition; (2) the shareholders of the target bank voting against the acquisition could receive stock in the holding company; (3) the exchange of stock qualify as a tax-free exchange; (4) the acquired bank continue as a Federal Deposit Insurance Act insured bank; (5) the plan of acquisition be in compliance with all applicable federal securities laws; and (6) for similar acquisitions of state-chartered banks, the BHC application be accompanied by a plan of acquisition rather than a merger application.

Status: Action not yet initiated.

Congress should amend the Bank Merger Act to exempt phantom mergers and corporate reorganizations from competitive effects assessments. This would remove the requirement that the responsible agency obtain reports on a proposed merger's competitive aspects from the

Attorney General and the other two bank regulatory agencies. These types of mergers should also be exempted from the 30-day period for Attorney General review prior to consummation.

Status: Action not yet initiated.

Congress should delete the publication and comment requirement for phantom mergers and corporate reorganizations and reduce the publication period for regular mergers to a period more consistent with that of other types of corporate change applications.

Status: Action not yet initiated.

Open Recommendations to Agencies

The three federal bank regulatory agencies should, with the advice of the Department of Justice, work together to formulate a useful and consistent method of analysis for considering what effect a

proposed merger would have on future competition in the market area of the bank being acquired.

Target: Federal Reserve System

Status: Action in process.

Target: Federal Deposit Insurance Corporation

Status: Action in process.

Target: Department of Justice

Status: Action in process.

The three federal bank regulatory agencies should jointly establish a more consistent method of analysis for defining the relevant market when evaluating the competitive aspects of a proposed merger.

Target: Federal Reserve System

Status: Action not yet initiated. Although the Federal Reserve System agreed with this recommendation, no ac-

tion has been initiated, and it is unknown when any action will commence.

Target: Federal Deposit Insurance Corporation

Status: Action not yet initiated. Although FDIC agreed with this recommendation, no action has been initiated, and it is unknown when any action will commence.

The federal regulators should take steps to ensure that competitive factor reports are furnished to the requesting agency within the required 30 days and that the requesting agency properly considers the comments received and reconciles major conflicting conclusions.

Target: Federal Reserve System

Status: Action in process.

Target: Federal Deposit Insurance Corporation

Status: Action in process.

Other General Government

Conversion to Automated Mail Processing Should Continue: Nine-Digit Zip Code Should Be Adopted

GGD-83-24, 01/06/83

Background

In response to a congressional request, GAO assessed the automatic mail processing equipment which the U.S. Postal Service is buying and the nine-digit ZIP Code system (ZIP Plus-4) which the Postal Service plans to implement. GAO reviewed the accuracy of the Postal Service's financial projections, the likelihood that the new equipment will perform as intended, and the potential impact of ZIP Plus-4 mailers.

Findings

Because the cost-effectiveness of ZIP Plus-4 would hinge heavily on voluntary participation by business mailers and such participation is not certain, GAO could not without qualification advise the Postal Service to move forward with ZIP

Plus-4. However, GAO believes that the incremental gain in moving to ZIP Plus-4 will be so great that the move would be more than justified. Householders' use of ZIP Plus-4 would help reduce mail processing costs but would not be critical to the cost-effectiveness of ZIP Plus-4. However, GAO endorsed the acquisition of the new equipment and its use to automate the processing of five-digit ZIP Code mail, provided that it will perform adequately. Even if the equipment performs adequately, there will still be risks associated with its use. Performance assumptions which the Postal Service used in its economic analysis to justify the automation program were based on assumed future improvements. Furthermore, testing and evaluation procedures used during the analysis were not adequate to measure the performance of the equipment or determine the need for

design changes, and the Postal Service may have initial problems maintaining its new equipment. However, given the Postal Service's labor intensive operations and the opportunity that automation offers to reduce labor costs, GAO considered these risks acceptable.

Open Recommendations to Agencies

The Postal Service should, for future OCR and other equipment procurements, conduct a comprehensive first article test of a representative machine, where the production machine is significantly different from: (1) machines currently in use; or (2) machines which were tested in a release-loan program. These first article tests should be conducted under expected environmental conditions and

cover all operating parameters, to include processing of nine-digit mail.

Status: Action not yet initiated. The Postal Service agreed with this recommendation. It plans to conduct the recommended first article test on a new produc-

tion model OCR machine in November and December of 1985.

The Postal Service should, for future OCR and other equipment procurements, perform a thorough engineering analysis of any changes proposed to the design of the machine after the initial first article

test and retest a first article if these changes are deemed significant.

Status: Action not yet initiated. The Postal Service agreed with this recommendation. It cannot be acted on until completion of the first article testing in December 1985 and the analysis of test results.

Other General Government

The Census Bureau Needs To Plan Now for a More Automated 1990 Decennial Census

GGD-83-10, 01/11/83

Background

In response to a congressional request, GAO reviewed the 1980 census data processing procedures to identify the reasons for the time needed by the Bureau of the Census to publish the data and to determine whether changes in procedures and equipment could reduce the time and cost involved.

Findings

Processing 88 million questionnaires which contain 3 billion items of data on the nation's population and housing is an enormous task; because of the large volume of data, the desire for accuracy, and a great reliance on manual procedures, the Bureau expects to take 3.5 years to process the data. The time required to perform clerical operations contributed to a 1-year slip in the publishing schedule. Other problems included: the underestimation of housing units, uncertain funding, data errors, and the need to

update boundaries. Since the early 1970's, when planning started for the 1980 census, the automated data processing (ADP) industry has made major technical advances which could provide the Bureau with the opportunity to automate much of the manual processing and lower future census processing time and costs. GAO stated that, although the Bureau has expressed an interest in increased automation, its initial planning efforts for the 1990 census need better coordination and development coupled with a provision for the amount of time required to acquire and test new equipment.

Open Recommendations to Agencies

The Secretary of Commerce should require the Director, Bureau of the Census, to develop a 1990 census plan that includes decision points for evaluating the acquisition, testing, and installation of ADP equipment that are based on past times for planning the 1980 census

and acquiring new ADP equipment. The plan should provide for: (1) an analysis of alternative data processing systems that meet census needs and identify the total cost to perform the task including acquisition, maintenance, and personnel; (2) the possibility of redesigning the 1980 census questionnaire to eliminate or reduce responses requiring manual coding; (3) an estimate of the expected time to release 1990 census data based on data processing improvements; (4) clearly defining the responsibilities of the organizational units working on Census Bureau ADP modernization and identify how their activities will be integrated with 1990 census planning; (5) a budget for implementing the plan with initial funding requested in the Census Bureau's fiscal year 1984 budget submission to Congress; and (6) internal periodic reports to assess the progress of the plan and identify any revisions needed.

Status: Action in process. Estimated completion date: 10/86

Other General Government

Implementing the Paperwork Reduction Act: Some Progress, but Many Problems Remain

GGD-83-35, 04/20/83

Background

Pursuant to a congressional request, GAO reported on the Office of Management and Budget's (OMB) progress in implementing the Paperwork Reduction Act of 1980.

Findings

The Paperwork Reduction Act established broad objectives for improving the management of all federal information resources. The act established the Office of Information and Regulatory Affairs (OIRA) within OMB and charged the Director of OMB with governmentwide responsibility for achieving these objectives. OMB projected that a 29-percent reduction in paperwork burdens will be achieved by October 1983, exceeding the act's 25-percent reduction goal. However, GAO stated that OMB has made limited progress toward achieving other objectives of the act. The act contains 13 tasks with statutory milestones; 5 of the 6 tasks with 1982 milestones have not been completed. GAO believes that the most crucial decision contributing to the shortfalls in completing many of the act's task was the

assignment to OIRA of primary responsibility for the Administration's regulatory reform program. As a consequence of its extensive regulatory reform responsibilities, OIRA has not devoted full time to implementing the Paperwork Reduction Act.

Open Recommendations to Congress

Congress should consider implementing one of the following three options to get OMB to effectively carry out its Paperwork Reduction Act responsibilities: (1) identify the resources needed to fully implement the act and report annually on the resources expended for that purpose; (2) provide separate funding for implementing the act; and (3) provide a separate appropriation for implementing the act and amending it to prohibit OIRA from performing any duties other than those required by the act. The first option could be taken either in connection with the next OMB budget request or required as part of the next OMB annual report under the Paperwork Reduction Act. The

second option would allow for Congress to decide the level of resources it wishes to apply toward the act's objectives and would provide reasonable assurance that the funds appropriated were actually applied.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Director, OMB, should direct OIRA to develop a plan, including specific milestones, for accomplishing tasks specifically requiring the involvement of the General Services Administration (GSA) and the Department of Commerce.

Status: Action in process.

The Director, OMB, should direct OIRA to make appropriate use of other agencies' expertise in accomplishing tasks required by the act.

Status: Action in process.

Other General Government

Federal and State Initiatives Needed To Improve Productivity and Reduce Administrative Costs of the Aid to Families With Dependent Children and Food Stamp Programs

AFMD-84-18, 02/02/84

Background

Administrative costs in the Aid to Families with Dependent Children (AFDC) and Food Stamp programs have increased at a more rapid pace than benefit payments to recipients. GAO reviewed the processing of AFDC and Food Stamp applica-

tions at 15 welfare offices in 8 states. This review was based on a comparison of the productivity of these offices. GAO also examined the impact that inconsistent federal criteria for determining an applicant's income and assets and different federal time periods for processing AFDC and Food Stamp cases have on productivity.

Findings

From its review, GAO found that productivity rates of workers directly involved in processing AFDC and Food Stamp applications varied widely among the 15 welfare offices. This variance resulted primarily from processing practices, which included case-processing

methods, use of computers, management expectation of employee performance, and efforts to verify applicants' data. Although the Department of Health and Human Services (HHS) considered demographic factors to be a key cause of productivity variances in the AFDC program, GAO determined that they did not have a significant impact on the 15 offices. In addition, GAO found that: (1) federal requirements for determining an applicant's income and assets hinder state and local case-processing productivity; and (2) federal agencies need to emphasize productivity in much the same way as they have emphasized reducing payment errors.

Open Recommendations to Agencies

The Secretaries of Agriculture and Health and Human Services should establish a joint mechanism for identifying the best operating practices, including changes in federal laws and regulations, that will facilitate prompt, accurate, and efficient processing for both programs.

Target: Department of Agriculture

Status: Action in process.

Target: Department of Health and Human Services

Status: Action in process.

The Secretaries of Agriculture and Health and Human Services should formulate uniform federal financial requirements for measuring incomes and assets, setting common time periods for processing applications and closing out cases, and proposing legislative change as necessary for congressional action.

Target: Department of Agriculture

Status: Action in process.

Target: Department of Health and Human Services

Status: Action in process.

Other General Government
Federal Financial Institutions Examination Council Has Made Limited Progress Toward Accomplishing Its Mission

GGD-84-4, 02/03/84

Background

GAO assessed the progress of the Federal Financial Institutions Examination Council in accomplishing its congressional mandates. The Council was established to: (1) prescribe uniform federal examination principles, standards, and report forms for examinations of financial institutions; (2) recommend uniformity in other supervisory matters; (3) develop uniform financial institution reporting systems; and (4) develop a comprehensive examiner education program. The Council is composed of the Comptroller of the Currency, the Chairman of the Board of the Federal Deposit Insurance Corporation, a member of the Board of Governors of the Federal Reserve System, the Chairman of the Federal Home Loan Bank Board, and the Chairman of the Board of the National Credit Union Administration.

Findings

GAO found that the Council has made little progress in establishing examination uniformity. A study to identify major examination differences among the participating agencies was terminated without accomplishing its objectives. GAO believes that actions taken by the Council did not eliminate major differences that the study did identify and that many actions taken were unrelated to the affected agencies' basic safety and soundness examinations. GAO found that the most significant action taken toward uniformity in other supervisory matters was the establishment of a uniform policy for assessment of civil money penalties. The Council approved 13 actions in the area of financial institution reporting systems, including a uniform bank report of condition and income. The Council has not provided basic training for examination efforts because it has not estab-

lished uniform principles and standards for examinations. Training efforts have been directed towards the development of peripheral courses. GAO believes that the need for uniformity in federal examinations of financial institutions has not lessened since the Council's inception and discussed the need to reevaluate the current regulatory structure.

Open Recommendations to Congress

There are a number of proposals being considered to reorganize the federal structure for regulating financial institutions. In making its judgments on these proposals, Congress should consider that a coordinating mechanism such as the Council has not been effective in dealing with major policy differences in the examination process.

Status: Action not yet initiated.

Other General Government

Statutory Requirements for Examining International Banking Institutions Need Attention

GGD-84-39, 07/11/84

Background

GAO reviewed the Federal Reserve's supervision of Edge Act banking institutions and the Office of the Comptroller of the Currency's (OCC) supervision of federally licensed branches and agencies of foreign banks.

Findings

GAO found that the statutory requirements to examine annually Edge Act corporations and federally licensed branches and agencies of foreign banks are less flexible than the frequency standards set by the Federal Reserve and OCC for other institutions and limit the optimal use of scarce resources. In addition, GAO found that the Federal Reserve does not comply with its legal requirement to bill Edge Act corporations for examination costs.

Open Recommendations to Congress

Congress should repeal the legal requirements to conduct annual examinations of Edge Act corporations and federally licensed branches and agencies of foreign banks, thereby allowing the Federal Reserve and OCC to schedule these examinations on the basis of the soundness of the institution. Specifically, with regard to Edge Act corporations, Congress should further amend Section 25(a), paragraph 19, of the Federal Reserve Act, as amended (12 U.S.C. 625), to eliminate the annual examination requirement and require examinations at such times as may be deemed necessary by the Federal Reserve System. With regard to federally licensed branches and agencies of foreign banks, Congress should amend Section 4(b) of the International Banking Act

of 1978 (12 U.S.C. 3102) to eliminate the annual examination requirement and thereby allow OCC more flexibility in scheduling examinations.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Chairman of the Board of Governors of the Federal Reserve System should comply with the statutory requirements to bill Edge Act corporations for examination costs, including the compensation of examiners, as provided in section 25(a) of the Federal Reserve Act.

Status: Action in process. Estimated completion date: 12/85

Other General Government

Supervisory Examinations of International Banking Facilities Need To Be Improved

GGD-84-65, 09/20/84

Background

GAO reviewed examinations of international banking facilities (IBF) conducted by federal bank regulatory agencies to determine if the examinations are adequate to ensure compliance with restrictions imposed on IBF activities. The group of regulatory agencies is comprised of the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve.

Findings

GAO found that the regulatory agencies have not ensured that all IBF are complying with regulatory restrictions, be-

cause recognized minimum examination standards have not been developed and utilized. The Federal Reserve's examinations were the most comprehensive, but documentation of examinations was sometimes incomplete, and scope and methodology standards for reviews have not been disseminated.

Open Recommendations to Agencies

The Chairman of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Chairman, FDIC, should develop and use

examination procedures to ensure compliance with IBF restrictions. They should work together to adopt more complete and uniform guidance to ensure compliance with the restrictions on IBF activities. These guidelines should include procedures, such as: (1) minimum scope required; (2) methodologies to be used; and (3) documentation needed.

Target: Federal Deposit Insurance Corporation

Status: Action not yet initiated.

Target: Federal Reserve System: Board of Governors

Status: Action in process.

Other General Government Fiscal Management of the Combined Federal Campaign

GGD-85-69, 07/29/85

Background

In response to a congressional request, GAO reviewed the Office of Personnel Management's (OPM) fiscal control of the Combined Federal Campaign.

Findings

A review of random samples of pledge cards received by 16 local campaigns in 1984 showed that at least 97 percent of all contributions in each campaign were recorded and distributed in accordance with OPM regulations. However, when federal personnel wanted to designate their contributions but did not complete their pledge cards properly, the managing charity in 7 of 20 local campaigns studied did not contact the contributors to clarify information. Absent an OPM regulation regarding the correct handling of improperly completed pledge cards, such contributions in those campaigns

were retained for distribution by the charity managing the campaigns rather than being forwarded to the charities that had actually been designated by the contributors. According to the managing charities, three of these campaigns changed their follow-up procedures in 1985, while four continued to treat improperly prepared pledge cards as designations to themselves. In addition, GAO found that fund-raising costs have increased in recent years because: (1) the charities that managed each local campaign have begun to charge for indirect services they previously had provided without charge; (2) the administrative responsibilities of managing charities have increased because of changes in OPM regulations; and (3) of inflation. GAO found that some of the increase in fund-raising costs could have been offset in three of the campaigns if idle campaign funds had been placed in interest-bearing accounts.

Open Recommendations to Agencies

The Director of OPM should require principle combined fund organizations to contact all federal personnel who submit improperly completed pledge cards for clarifying instructions. If the organization is unable to contact the contributor, the federal coordinating committee in each campaign should decide how the designated funds will be distributed. In addition, the Director should require the organizations to either: (1) earn interest on idle campaign funds to offset administrative costs; or (2) receive services from the financial institutions holding the funds comparable in value to the amount of the interest that could be earned.

Status: Action not yet initiated.

Tax Administration What IRS Can Do To Collect More Delinquent Taxes

GGD-82-4, 11/05/81

Background

GAO reviewed and evaluated the Internal Revenue Service's (IRS) policies, procedures, and practices for collecting delinquent taxes and evaluating its collection activities to determine IRS effectiveness in collecting delinquent taxes from taxpayers who claim that they cannot immediately pay their taxes in full. IRS districts and their respective regions and service centers were selected for review on the basis of obtaining a geographical mix of districts considering the size of the district, available GAO resources, and

the impact of conducting the review on the IRS collection activities. Samples of installment agreements and currently not collectible cases were also reviewed.

Findings

At the end of fiscal year 1979, about \$3 billion of the IRS accounts receivable was classified as currently not collectible, and taxpayers were making installment payments against \$270 million in delinquencies. A review of installment agreements showed that nearly 15 percent of the taxpayers could have paid

their liabilities immediately with savings. Inadequate determinations of ability to pay severely hamper the effective use of installment agreements. Further, classifying accounts as currently not collectible is a greater problem since these taxes may never be collected. IRS has made limited use of voluntary payroll deductions, considered one of the best means of making payments, and has taken inadequate enforcement action when taxpayers miss payments. Closing codes on accounts classified as currently not collectible were set too high in 39 percent of the cases reviewed, thereby preclud-

ing prompt follow-up action to collect delinquencies for those accounts which could be reactivated. About 40 percent of the currently not collectible cases in four districts reviewed were audit cases, indicating that audit cases pose a bigger collection problem than other accounts. Many delinquent accounts closed by field divisions could have been closed by branch office personnel. IRS has yet to

establish uniform criteria to help revenue officers decide when to consider using and when to accept offers in compromise. In addition, the IRS procedures for collecting liabilities on offers not accepted have not been very effective.

Open Recommendations to Agencies

The Commissioner of Internal Revenue should develop a system to code delin-

quent accounts resulting from audits issued to the field to show whether the delinquency resulted from a no-contact audit.

Status: Action in process. Estimated completion date: 07/86

Tax Administration

Legislation Needed To Improve Administration of Tax Exemption Provisions for Electric Cooperatives

GGD-83-7, 01/05/83

Background

GAO reviewed the changes that have occurred in some tax-exempt electric cooperatives since they were first granted tax-exempt status and the difficulty that the Internal Revenue Service (IRS) has had in attempting to apply the broad tax exemption provisions of the Internal Revenue Code to cooperatives.

Findings

GAO found that, since electric cooperatives were granted tax-exempt status almost 60 years ago, the operations of many cooperatives and the environment in which they do business have changed substantially. Originally, most electric cooperatives were small associations which distributed electricity to sparsely populated rural areas. Today, many electric cooperatives serve both rural and suburban areas, and their operations and activities closely resemble those of investor-owned utility companies. Some electric cooperatives have expanded their activities to form subsidiaries or associations which generate power, provide financing, own or lease coal mining properties, procure fuel and supplies, and

provide ancillary business services. Consequently, many cooperatives have been able to accumulate and retain substantial amounts of member equity or capital. Because the law generally exempts all electric cooperatives regardless of the differences in their operations and activities, financial condition, size, or mix of consumers served, GAO has proposed alternatives to the present law which would modify the cooperatives' nonmember income allowance or eliminate that allowance and apply tax rules which are already applicable to other types of cooperatives. These alternatives would have an estimated revenue impact ranging from \$2 to \$45 million.

Open Recommendations to Congress

Congress should establish a tax treatment which better addresses electric cooperatives' present operating environment.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Commissioner of Internal Revenue should provide more complete guidance to assist electric cooperatives and other section 501(c)(12) organizations in complying with the 85-percent member income requirement of the law and to assist IRS examiners in determining compliance with this requirement. At a minimum, such guidance should address those issues that affect the computation of member and nonmember income.

Status: Action in process. Estimated completion date: 01/86

The Commissioner of Internal Revenue should direct the Tax Forms Coordinating Committee to examine the need for revisions to the exempt organization return (Form 990) and the need to include a supplementary schedule to provide the format necessary for section 501(c)(12) organizations to properly account for their member and nonmember income and compute the percentage of gross income collected from members.

Status: Action in process. Estimated completion date: 06/86

Tax Administration

Legislative Change Needed To Enable IRS To Assess Taxes Voluntarily Reported by Taxpayers in Bankruptcy

GGD-83-47, 06/20/83

Background

Pursuant to a congressional request, GAO was asked to examine the effects of bankruptcy laws on tax administration. GAO reviewed the impact that the 1978 Bankruptcy Reform Act's restriction on tax assessments is having on the Internal Revenue Service (IRS) and bankrupt taxpayers.

Findings

GAO believes that the assessment restriction should be amended to allow IRS to

assess the taxes that bankrupt taxpayers report on their returns. Moreover, removing the assessment restriction would ensure consistent treatment for all bankrupt taxpayers. IRS needs to modify its collection procedure to ensure that it does not violate the legislative restriction on initiating collection action against bankrupt taxpayers. Some bankruptcy court districts permit IRS to assess taxes against bankrupt taxpayers, but IRS officials informed GAO that they cannot change the computerized collection procedures to stop collection notices from being

sent to bankrupt taxpayers once taxes are assessed, but not paid.

Open Recommendations to Congress

Congress should amend the Bankruptcy Code to allow IRS to assess the taxes reported by bankrupt taxpayers on their returns.

Status: Action not yet initiated.

Tax Administration

With Better Management Information, IRS Could Further Improve Its Efforts Against Abusive Tax Shelters

GGD-83-63, 08/25/83

Background

In response to a congressional request, GAO reviewed Internal Revenue Service (IRS) activities in the tax shelter area.

Findings

Lately, the size and complexity of the IRS workload in the tax shelter area have strained its resources. The number of those types of tax shelters which IRS has identified as abusive have risen from 2 to 18 in 9 years, while the IRS approach to examining shelter returns requires that virtually every shelter return identified as potentially abusive be examined. Examiner staff-days devoted to the Tax Shelter Program have risen from 2.5 percent of direct examination time during fiscal year (FY) 1979 to 8.9 percent during the first 6 months of FY 1983. Examining abusive shelters imposes a large administrative burden on examiners because an abusive shelter is often set up as a partnership and examining such a shelter often requires the control of several returns, for different tax years,

and in different districts. GAO found that about 60 percent of examiner time is spent on administrative tasks with only 40 percent applied to examining returns and developing examination issues. At the present pace, tax shelter returns take more than 4 years to process. To compound the problem, about 50 percent of completed tax shelter examinations are appealed, involving 90 percent of all potential revenue from these examinations. IRS has focused top management attention on this area and devised new approaches to reduce the number of cases in its inventory. In addition, Congress has provided legislative relief, most recently, in the Tax Equity and Fiscal Responsibility Act (TEFRA) which gives IRS several enforcement tools and simplifies the administrative aspects of partnership examinations.

Open Recommendations to Agencies

The Commissioner of Internal Revenue should develop such management infor-

mation as is appropriate and necessary to more accurately gauge the current size of the problem of abusive tax shelters and the impact IRS is having on noncompliance in this regard.

Status: Action in process. Estimated completion date: 01/86

The Commissioner of Internal Revenue should develop such management information as is appropriate and necessary for determining whether TEFRA and administrative changes have eliminated the causes of past problems and for identifying as early as possible any other obstacles to effective and efficient program operations. If IRS finds that the must-work approach is still resulting in administrative difficulties, the Commissioner of Internal Revenue should: (1) reassess the goal of expeditiously examining every abusive shelter which is identified, in light of this goal's impact on the IRS examination plan; (2) formulate, if this goal is found to be no longer attainable, criteria for decid-

ing which abusive tax shelters are most in need of examination; and (3) make more extensive use of centralized support

staffs and computer, rather than manual systems to further free examiners from clerical and administrative tasks.

Status: Action in process. Estimated completion date: 01/86

Tax Administration

IRS' Administration of the Crude Oil Windfall Profit Tax Act of 1980

GGD-84-15, 06/18/84

Background

In response to a congressional request, GAO reviewed the Internal Revenue Service's (IRS) administration of the Crude Oil Windfall Profit Tax Act of 1980.

Findings

GAO noted that the crude oil tax was designed to tax the difference between the free market price of a barrel of oil and its controlled price under Department of Energy regulations. Although IRS received no supplemental staffing or funding to administer this lengthy and complex act, IRS moved quickly to establish a compliance program. GAO found that IRS has made good progress toward establishing an examination program for the windfall profit tax. Difficulties encountered by the Examination Division include: (1) deciding which properties should be subject

to IRS examination; (2) ensuring that the tax is assessed on the initial sale of oil; and (3) examining tax refund claims to ensure that the tax is levied only on barrels of oil that yield a profit. GAO noted that the Collection Division's effectiveness depends on structuring a long-term compliance program to identify delinquent windfall profit taxpayers.

Open Recommendations to Congress

To effect the procedure to issue deficiency notices after examination of each oil-producing property without precluding later issuance of additional notices covering the producers' interests in other properties during the same quarter, Congress should amend section 6212(c) of the Internal Revenue Code and consider the statutory language in appendix V.

Status: Action in process.

Because another windfall profit tax area which needs legislative action is the appeals process, Congress should pass legislation to consolidate judicial appeals for a given property's oil issues and consider the statutory language in appendix VI.

Status: Action in process.

Open Recommendations to Agencies

The Secretary of the Treasury should develop and issue regulations, with respect to tank bottom oil, directed at minimizing revenue loss possibilities and tax evasion opportunities.

Status: Action in process. Estimated completion date: 07/86

Tax Administration

Congress Should Consider Changing Federal Income Taxation of the Property/Casualty Insurance Industry

GGD-85-10, 03/25/85

Background

GAO examined the provisions of the Internal Revenue Code which are used to determine the taxable income of the property and casualty insurance industry. These companies are similar to other companies in that the premium income is analogous to the sales receipts; however, a difference lies in claim payments which may not be made until a future year,

while the premiums are received currently. In examining taxation of the industry, GAO focused on the measurement of taxable income by using the matching principle, which matches each year's revenues with the expenses associated with those revenues.

Findings

GAO found that the existing practice does not match revenues with associated

expenses and results in an inaccurate measurement of taxable income. About half of the insurance industry's business is contracts involving claims that are paid over a considerable period of time resulting in protracted settlement of claims extending over many years. Reserves are needed to cover these losses to ensure that companies have adequate funds to make future payments on the claims. However, the current practice allows overstatement of the amounts needed to

satisfy the claims, which are not being reduced by the investment income that will be earned on the reserves between the time they are established and the time that they are paid out, and result in an understatement of taxable income. One way to remedy this problem would be to discount reserves at a rate based on each company's investment return experience. GAO estimated discounted reserve levels at several discount rates and the additional tax liability that resulted, and it found that, the higher the discount rate, the greater the reduction in reserve deduction and the greater the increase in tax liability. Another income measurement issue is the proper allocation of business expenses related to the sale and renewal of insurance policies. The current practice permits these costs to be deducted immediately regardless of the

life of the policy, but premium income is included in revenues only on a pro rata basis each year. According to GAO, expenses should be allocated over the same periods in which the corresponding income is recognized.

Open Recommendations to Congress

To ensure that the property/casualty insurance industry's revenues and expenses are more closely matched for purposes of measuring taxable income, Congress may wish to consider amending the tax code to provide that, in calculating the loss reserve deduction for tax purposes, loss reserves are discounted.

Status: Action in process.

To ensure that the industry's revenues and expenses are more closely matched for purposes of measuring taxable income, Congress may wish to consider amending the tax code to provide that acquisition costs be allocated over the life of the related contracts.

Status: Action in process.

Congress may wish to consider whether or not this special tax preference for mutual property/casualty insurance companies should be retained in its present form.

Status: Action in process.

Tax Administration

Administrative Changes Could Strengthen IRS' Claims for Rewards Program

GGD-85-11, 04/19/85

Background

GAO reviewed the Internal Revenue Service's (IRS) administration of the Claims for Rewards Program to determine whether it was operating effectively in detecting unreported income.

Findings

GAO found that: (1) the program has helped IRS identify and collect taxes which might not have been realized without information provided by program participants; and (2) IRS personnel were not fully aware of the program's processing requirements and have not been giving claims priority consideration. IRS has no time requirements for processing claims for rewards allegations; therefore, GAO formulated criteria based on the length of time IRS national and district officials said

these processing functions should take. Using these criteria, GAO found that, in 79 percent of the reward claims filed in two large IRS district offices, it took longer than officials said it should take to perform one or more processing functions. GAO also found: (1) six cases where subsequent tax collection occurred after the taxes had been declared uncollectible; (2) that claims examiners did not routinely check corresponding delinquent account transcripts to ensure that claimants were paid any additional rewards due; (3) that 87 percent of the claims that were closed were disallowed because the claimant did not provide sufficient information; and (4) that, if partial rewards had been permitted more often, some program participants could have received rewards sooner. GAO also found that participants often received small rewards and had to wait a long time to receive them; if

the minimum reward were raised, the effect on the program's revenue yield-to-cost ratio would be negligible.

Open Recommendations to Agencies

To help ensure that potential program participants know the kinds of information IRS needs to initiate and develop Claims for Reward Program cases, the Commissioner of Internal Revenue should revise IRS Publication 733 to include a section on the specific kinds of information IRS finds useful to make cases against taxpayers who do not comply with the tax laws.

Status: Action in process. Estimated completion date: 03/86

Tax Administration

IRS and SSA Can Improve the Verification and Recording of Data Provided by Self-Employed Taxpayers

GGD-85-21, 05/28/85

Background

GAO reviewed processing of self-employment earnings information to determine whether the Internal Revenue Service (IRS) and the Social Security Administration (SSA) are properly processing such information and crediting it to taxpayers' accounts.

Findings

Workers are required to report self-employment earnings on a form known as schedule SE. IRS processes the schedule, collects any social security taxes that are due, and reports the information to SSA, which credits earnings information to individuals' social security accounts. GAO found that, while the system is functioning well, IRS and SSA could: (1) increase the amount of self-employment earnings that get properly credited; and (2) more accurately account for due taxes. GAO also found that: (1) IRS does not always detect errors in computing self-employment earnings on SE schedules; (2) IRS does not verify wage amounts reported by self-employed persons who report other earned income, which causes underpayments of social security taxes; (3) IRS could help SSA correctly credit earnings to individuals' social security accounts by ensuring that, whenever it corrects a social security number on a tax return, the corrected number is provided to SSA; and (4) SSA and IRS need to establish better control over SE schedules to help ensure that all self-employed persons are receiving credit for self-employment earnings.

Open Recommendations to Agencies

The Commissioner of Internal Revenue should expand the use of the error

register to include those situations where the sum of farm and nonfarm earnings is less than the total earnings amount being recorded and correct any identified earnings and tax errors.

Status: Action in process. Estimated completion date: 03/86

The Commissioner of Internal Revenue should identify, review, and correct those SE schedules processed in 1983 with math problems, similar to action taken for 1981-processed SE schedules.

Status: Action in process. Estimated completion date: 03/86

The Commissioner of Internal Revenue should modify existing returns processing procedures to: (1) record SE schedules whose wages alone equal maximum taxable earnings; and (2) verify wages on schedule SE for workers with maximum taxable earnings.

Status: Action in process. Estimated completion date: 03/86

The Commissioner of Internal Revenue and the Commissioner of Social Security should work together to identify those self-employed individuals who did not receive proper credit for their earnings and correct their accounts. Specifically, SSA should identify for IRS, using SE schedules with maximum reportable earnings, those individuals whose earnings were not properly credited. IRS should help SSA identify specific individuals and their earnings. SSA should then correct the problem for those individuals, as well as any others similarly affected.

Target: Internal Revenue Service

Status: Action in process.

Target: Social Security Administration

Status: Action in process.

The Commissioner of Internal Revenue and the Commissioner of Social Security should work together to develop a systematic way of identifying and correcting tax and earnings overpayments for self-employed persons who erroneously elected the nonfarm optional method of determining their earnings either because they: (1) were not self-employed in two of the three previous years; or (2) exceeded the 5-year usage limit.

Target: Internal Revenue Service

Status: Action in process.

Target: Social Security Administration

Status: Action in process.

The Commissioner of Internal Revenue should identify and provide SSA, starting with the 1980 processing year, with self-employment records showing different social security numbers for the same person or self-employment earnings that were not previously provided.

Status: Action in process. Estimated completion date: 12/85

The Commissioner of Social Security should use the self-employed persons' records with different social security numbers obtained from IRS to correct earnings accounts credited erroneously and those not previously credited.

Status: Action in process.

The Commissioner of Social Security should credit the social security accounts of those self-employed individuals whose records were never processed and ensure that the trust funds are provided the correct tax amount from their earnings.

Status: Action in process.

The Commissioner of Social Security should periodically conduct tests of the accuracy of self-employment earnings and identification data and work with IRS to resolve any problems that are identified.

Status: Action in process.

The Commissioner of Internal Revenue and the Commissioner of Social Security should work together to establish overall control of the number of self-employment records received for processing so that differences between the number processed by IRS and SSA can be reconciled. IRS should provide SSA with overall control totals of all SE schedules

processed; SSA should then account for all records received and processed.

Target: Internal Revenue Service

Status: Action in process.

Target: Social Security Administration

Status: Action in process.

Tax Administration

IRS' Examination Selection System for Exempt Organizations' Unrelated Business Income

GGD-85-64, 07/08/85

Background

GAO analyzed the Internal Revenue Service's (IRS) examination selection system for tax-exempt organizations earning unrelated business income (UBI).

Findings

GAO found that, although IRS assessed over \$41 million in additional tax and penalties upon UBI examinations in fiscal years 1981 through 1983, a substantial number of UBI examinations resulted in little or no additional tax revenue. GAO also found that IRS does not have sufficient information on UBI tax noncompliance to understand the nature and magnitude of UBI noncompliance and develop profiles of highly noncompliant tax-exempt organizations engaging in UBI activity. Without such information, the

current IRS selection system cannot focus on the most noncompliant tax-exempt UBI organizations which regularly fail to properly report UBI earnings or pay the UBI tax due. Because IRS data shows increasing UBI activity, high estimates of tax loss due to UBI nonreporting, and low yield from most current UBI examinations, IRS may want to focus on the UBI organizations with the highest potential for noncompliance. More targeting of highly noncompliant UBI organizations could aid in generating more revenue and increased compliance and result in more effective use of resources.

Open Recommendations to Agencies

The Assistant Commissioner of Internal Revenue for Employee Plans and Exempt

Organizations should further analyze existing data on UBI tax examinations to gain increased insight into the nature and magnitude of UBI noncompliance.

Status: Action not yet initiated. IRS plans to consider a TCMP effort in 1988, which would address this issue. IRS plans no other action.

The Assistant Commissioner of Internal Revenue for Employee Plans and Exempt Organizations should develop, collect, and analyze information on all types of UBI organizations and develop specific UBI activities.

Status: Action not yet initiated. IRS plans no further action other than considering a TCMP effort in 1988, which would address this issue.

General Purpose Fiscal Assistance

Other General Purpose Fiscal Assistance

Improvements Needed in the District's General Public Assistance Program

GGD-83-13, 03/03/83

Background

GAO reviewed the District of Columbia's General Public Assistance (GPA) program and recommended specific action which it believes will enhance the District's administration of the program.

Findings

GAO found that some recipients worked and earned income in excess of allowable earnings or received unemployment compensation while they received GPA benefits. Increased use of the reports which list recipients who may have earned wages or received unemployment compensation will ensure that correct

payments are made to eligible recipients. Also, recipients need to be adequately informed of the program's eligibility requirements and the consequence of failure to report changes in their medical conditions or social status. Many recipients should not have been certified to receive GPA either because they were ineligible or because sufficient information was not available to make a determination of eligibility. Guidelines have not been developed to assist the District's Medical Review Team in making determinations for GPA eligibility. In addition, since recipients referred for Supplemental Security Income are not regularly certified, many continue to receive GPA benefits without a current medical evaluation. A GAO analysis

of a sample of judgmentally selected cases showed that data concerning other recipients' periods of eligibility are not being accurately entered into the computer data base.

Open Recommendations to Agencies

The Mayor should instruct the DHS Director to prepare and issue a procedure manual for the day-to-day operations of the GPA program.

Status: Action in process. Estimated completion date: 01/86

General Science, Space, and Technology

General Science and Basic Research

The Office of Science and Technology Policy: Adaptation to a President's Operating Style May Conflict With Congressionally Mandated Assignments

PAD-80-79, 09/03/80

Background

GAO studied the Office of Science and Technology Policy (OSTP) to examine the extent to which OSTP has studied the 13 issues on federal organization and management of science and technology policy, and to determine the extent to which OSTP is involved in strategic planning for science and technology. Top OSTP officials believe that the broad legislative mandate for OSTP cannot be fully met under present conditions and operating styles within the Executive Office of the President (EOP). OSTP management and staff also believe that all their work must be tied to the existing policymaking process in EOP, because they have no independent control over any portion of the U.S. policymaking system. OSTP interprets its environment as requiring it to be continually active in initiating its work and then fostering implementation of its recommendations, many of which demonstrate a strategic perspective. OSTP is most active in its extensive collaboration with the Office of Management and

Budget in the research and development budget process.

Findings

GAO found that OSTP does not intend to prepare the mandated comprehensive survey report. This assignment to OSTP placed a large burden on OSTP and significantly increased its responsibilities without increasing its resources. The small and active OSTP has produced no comprehensive report but a list of its many activities, categorized according to the 13 issue areas. The OSTP staff attempts to give a strategic perspective to considerations of topical or mission issues, such as energy and space. OSTP believes that it is not feasible to do more comprehensive strategic planning and remain effective in EOP. It seldom studies the relationships of issues in the whole context of science and technology in society; instead, it usually focuses on a particular mission issue in isolation from its interactions with other national concerns. The small size of OSTP and its perceptions of the operating style of

the President and the President's senior advisors inhibit its further involvement in comprehensive strategic planning. GAO believes that, within existing constraints, OSTP can establish a systematic and formal mechanism for identifying long-range emerging issues and for providing a detached perspective in screening outside proposals for the OSTP agenda. Both OSTP and the National Science Foundation are taking steps to improve communication in planning and preparing the Annual Report and the Five-Year Outlook.

Open Recommendations to Congress

Congress should consider: (1) how it and the OSTP Director can best identify and resolve concerns about the Director's choice of operating style; (2) if the OSTP legislative mandate is too comprehensive; and (3) what other means might fulfill congressional needs for information and analysis not provided by OSTP.

Status: Action in process.

Supporting Space Activities

Better Management Controls and ADP Requirements Analysis Can Help NASA Lewis Research Center

IMTEC-84-25, 09/27/84

Background

GAO reported on automatic data processing (ADP) equipment acquisition practices at the National Aeronautics and Space Administration (NASA), Lewis Research Center.

Findings

GAO found that a recent ADP solicitation reduced maximum practicable competition and removed competitive cost advantages potentially held by other vendors. Further, the Center could not deter-

mine the appropriate size and timing for future computer equipment upgrades. GAO believes that the solicitation could have had a detrimental impact on competition and price. GAO also believes that the Center's management cannot accurately predict future computer equip-

ment needs because it has not developed the cost and performance information necessary for a comprehensive requirements analysis. GAO noted that, although management has taken steps to improve its management controls and its process for analyzing its requirements, it can do more to effectively acquire ADP resources.

Open Recommendations to Agencies

The Administrator, NASA, should direct the Director of the Lewis Research Center to implement a comprehensive requirements analysis process that will produce appropriate data for estimating future needs before upgrades or additional equipment is required. As part of this process, the Center should require top management to validate the comprehensive requirements analysis process based on mission needs and available funds.

Status: Action in process.

The Administrator, NASA, should direct the Director of the Lewis Research Center to implement a comprehensive requirements analysis process that will produce appropriate data for estimating future needs before upgrades or additional equipment is required. As part of this process, the Center should report ADP costs to all computer users so they are aware of the value of ADP resources consumed and can use this data when estimating new requirements.

Status: Action in process.

The Administrator, NASA, should direct the Director of the Lewis Research Center to implement a comprehensive requirements analysis process that will produce appropriate data for estimating future needs before upgrades or additional equipment is required. As part of

this process, the Center should structure costs of computer operations by time of day if Center officials determine that this control would be cost-effective.

Status: Action in process.

The Administrator, NASA, should direct the Director of the Lewis Research Center to implement a comprehensive requirements analysis process that will produce appropriate data for estimating future needs before upgrades or additional equipment is required. As part of this process, the Center should regularly analyze performance on the newly acquired IBM-compatible computers using the acquired hardware monitor and the software tools that will be available with the new operating system software.

Status: Action in process.

Health

Consumer and Occupational Health and Safety Need for More Effective Regulation of Direct Additives to Food

HRD-80-90, 08/14/80

Background

The Food, Drug and Cosmetic Act requires that the safety of direct food additives be based on scientific evidence and that the evidence be reviewed and approved by the Food and Drug Administration (FDA). However, the act exempts from review and approval substances generally recognized as safe (GRAS) by experts or approved for use before 1958, and allows the safety determination for some of those substances to be based on experience drawn from common use in food. The safety of several of these exempted substances has been questioned. A review was undertaken to determine whether current legislative authority and FDA regulatory practices adequately protect the public against hazards from substances directly added to food. GAO examined provisions of the act which exempt about 1,450 substances from food additive regulation by FDA; reviewed several exempted substances the assumed safety of which was later questioned, and the removal from use of which has been proposed or completed; and evaluated the potential impact these exemptions could have on the level of evidence supporting the safety of the substances.

Findings

The FDA administrative regulations do not clearly define the scientific evidence needed to support the safety of a food additive or explain how it conducts safety assessments. The regulations do not distinguish among the different kinds of evidence which support each substance's safety affirmation. Experience from common use in food has questionable value in assuring that an additive is safe, because individuals are exposed to numerous substances, including environmental contaminants, over a long period. Adverse effects from exposure to harmful substances may not occur for many years. Since FDA is not required to review and approve GRAS substances, there is no assurance that consistent criteria are applied in determining the safety of all such substances. Of the 39 petitions received in 1979 for GRAS designations of substances used after 1958, review of 18 has been completed. Four of the 18 contained sufficient scientific evidence to support a GRAS affirmation. During 1978, FDA received 14 petitions requesting that food additives be approved. As of October 1979, regulations had not been approved or published for any of these substances. In seven petitions reviewed,

FDA had determined that the scientific evidence supporting the substance's safety was inadequate and had requested additional evidence. In five cases, data not specifically identified in the regulations were requested. Developmental efforts are currently underway to publish definitive scientific testing guidelines and review criteria for determining the safety of food additives.

Open Recommendations to Congress

Congress should amend the Federal Food, Drug and Cosmetic Act to eliminate exemptions for GRAS and prior sanction substances. Changes to the law should provide for sufficient flexibility to encourage the use of information already available and to recognize that different types of scientific evidence may be appropriate to support the safety of food additives. The amendment should also provide a date on which the safety of all GRAS and prior sanction substances must be subject to Federal review and approval.

Status: Action not yet initiated.

Consumer and Occupational Health and Safety

Legislative Changes and Administrative Improvements Should Be Considered for FDA To Better Protect the Public From Adulterated Food Products

HRD-84-61, 09/26/84

Background

Pursuant to a congressional request, GAO evaluated the Food and Drug Administration's (FDA) efforts to remove adulterated food products from the market and attempted to determine whether FDA needs additional authority to carry out its mission. GAO reviewed food recalls, food seizures, and prosecution actions carried out by FDA from 1980 to 1982.

Findings

GAO found that, while FDA is authorized to seize adulterated foods, it is not authorized to detain such products while seizure actions are being processed by FDA and the Justice Department. FDA frequently requests states to detain adulterated foods or requests firms to voluntarily hold food products. However, GAO found several instances where products were unavailable for seizure by the time seizure actions were processed. GAO believes that: (1) if FDA had detention authority over adulterated foods, similar to its authority over medical devices, it could prevent greater amounts of adulterated foods from reaching the market; and (2) FDA could more easily remove

adulterated foods from the market if it had the authority to review food manufacturers' production and distribution records. GAO also found that: (1) FDA could hasten the seizure process by eliminating several levels of review within FDA; (2) FDA has not adequately monitored recalled foods to ensure that recalled products are reconditioned; and (3) fines assessed for violations of federal laws pertaining to adulterated foods are relatively small.

Open Recommendations to Congress

Congress should consider whether FDA needs specific authority to detain adulterated foods while the agency processes seizure requests internally and through the Department of Justice.

Status: Action not yet initiated.

Congress should consider amending the Food, Drug, and Cosmetic Act to give FDA authority to review production and shipping records after it has found that a firm is producing adulterated food products.

Status: Action not yet initiated.

Congress should consider amending section 303(a) of the Food, Drug, and Cosmetic Act to increase the amount of the fine authorized for criminal prosecutions.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner of FDA to initiate steps to improve the timeliness of seizure actions by identifying more routine seizure cases involving filth and economic adulteration that could be referred by district directors to U.S. attorneys after concurrence by the FDA Office of the General Counsel.

Status: Action in process.

The Secretary of Health and Human Services should direct the Commissioner of FDA to develop guidelines specifying required verification procedures to ensure that the destruction and reconditioning of recalled foods is adequately verified directly by FDA or through some alternative means, such as appropriate state or local officials.

Status: Action in process.

Education and Training of Health Care Work Force Physician Cost-Containment Training Can Reduce Medical Costs

HRD-82-36, 02/04/82

Background

GAO reviewed the current status of cost-containment training for physicians in medical schools, residency programs, and continuing medical education.

Findings

GAO found that the collective decisions of the nation's physicians greatly affect the national demand for and utilization of medical resources. Knowledge of cost-containment principles is an important element in efforts to control health care costs, and cost-containment training is an important first step in these efforts. Medical schools and residency training

programs have led the way in developing programs to increase physician sensitivity to the cost of health care and to train their students in methods and techniques for providing cost-effective care. However, these programs vary widely in approach, content, and emphasis because health care cost containment is still a relatively new issue for which no standard teaching and training approach has been developed. The commitment of medical school faculties will determine the extent of further development of cost-containment training programs. GAO believes that one possible means to increase faculty and student sensitivity to the importance of such training could be the inclusion of cost-containment material in required medical examinations.

Open Recommendations to Agencies

The Secretary of Health and Human Services should provide impetus to the continued development and expansion of physician cost-containment training by monitoring the medical profession's progress as it incorporates such training into medical curricula and by providing funding on a carefully selected basis for seminars and conferences at which medical school faculty and residency program directors can develop and share strategies, approaches, and methods for teaching cost-effective medicine.

Status: Action in process. Estimated completion date: 12/85

Health Care Services Improving Medicaid Cash Management Will Reduce Federal Interest Costs

HRD-81-94, 05/29/81

Background

GAO reviewed the state systems for recovering Medicaid overpayments to providers and for returning the federal share of these overpayments to the Department of Health and Human Services (HHS).

Findings

GAO found that over \$11 million in Medicaid and other program funds were in non-interest-bearing checking accounts in three states. Because the banks had use of this money, the federal and state

governments lost incurred interest of over \$1.3 million. One of the banks involved reported earning \$512,000 on the Medicaid funds it held for an 11-month period. Some states drew federal funds in excess of current disbursement needs, invested the balances, and retained the interest earned. States had not returned the federal share of \$23 million in identified but uncollected overpayments. The time that elapsed between when states made cash collections and when they returned the federal share enabled states to earn substantial amounts of interest on federal funds.

Open Recommendations to Agencies

The Secretary of HHS should direct the Administrator of HCFA to modify the procedures through which the federal share of recovered Medicaid overpayments are returned to eliminate the long elapsed time between recovery and return of the federal share.

Status: Action in process. Estimated completion date: 01/86

Health Care Services

Will There Be Enough Trained Medical Personnel in Case of War?

HRD-81-67, 06/24/81

Background

The military services medical departments have two missions: (1) to provide peacetime care to eligible beneficiaries, and (2) to maintain readiness to meet wartime contingencies. Pursuant to a congressional request, GAO reviewed the extent to which wartime military medical personnel shortages exist, what was being done or could be done to overcome the shortages, and how well available personnel were trained for wartime missions.

Findings

An analysis of Department of Defense (DOD) data shows that the number and types of medical personnel in the active duty and reserve forces fall far short of the total projected personnel requirements for the current, most demanding wartime scenarios. DOD projections show that shortages of physicians, nurses, and enlisted medical personnel would be most severe, reduce capacity to deliver wartime care, and begin to occur soon after mobilization. Shortages of surgical personnel would be especially critical. Some other enlisted specialty shortages would also be critical because no pretrained pool exists in the civilian sector. To plan effectively for wartime contingencies, DOD planners need data not only on total medical personnel requirements, but also on what portion of those requirements DOD can actually use in its own military hospitals. It has made little progress toward implementing plans and initiatives to increase its capabilities in these personnel shortage areas. DOD medical readiness planning has focused on long-range goals and objectives to address anticipated

changes in threat, personnel, and other factors in future years. Federal mobilization planners believe that the civilian sector has enough medical personnel to augment most military mobilization needs. Selective Service System planners have not determined the rate at which medical personnel could be brought into the military if mobilization occurred. Other alternatives are available to DOD in planning to overcome shortages of medical personnel after mobilization.

Open Recommendations to Agencies

The Secretary of Defense should obtain advance agreements with civilian medical personnel to fill key hospital shortages.

Status: Action in process. Estimated completion date: 07/86

The Secretary of Defense should direct the services to periodically report their requirements estimates to DOD medical mobilization planners for developing overall medical mobilization plans.

Status: Action in process. Estimated completion date: 07/86

The Secretary of Defense should direct the services to develop consistent estimates of near-term medical personnel requirements based on total needs and needs as constrained by available military facilities. The estimates of constrained personnel requirements should be developed together with complete assessments of the availability of other medical resources, such as hospital beds, equipment, and logistic support.

Status: Action in process. Estimated completion date: 07/86

The Secretary of Defense should develop specific plans to meet the early postmobilization requirements of DOD for: (1) surgeons and other surgical personnel in-theater; and (2) medical personnel in military-unique specialties.

Status: Action in process. Estimated completion date: 07/86

The Secretary of Defense and the Director of the Selective Service System should submit a proposal for a postmobilization draft of medical personnel to Congress as soon as possible.

Target: Department of Defense

Status: Action in process. Estimated completion date: 07/86

The Secretary of Defense and the Director of the Selective Service System should jointly develop provisions to be included in a standby legislative proposal for a postmobilization draft of medical personnel.

Target: Department of Defense

Status: Action in process. Estimated completion date: 07/86

The Secretary of Health and Human Services should ascertain the extent to which (1) civilian medical personnel will be required and available in the civilian sector during mobilization; and (2) DOD can rely on civilian medical personnel as it plans its mobilization efforts.

Status: Action in process. Estimated completion date: 07/86

Health Care Services

Medicare Home Health Services: A Difficult Program To Control

HRD-81-155, 09/25/81

Background

GAO assessed various Medicare claims to determine the reasonableness and medical necessity of skilled nursing care and therapy, the need for home health aide services, and compliance with the homebound and other requirements of the Medicare program. Aide services provide for the personal care of the beneficiary and represent about one-third of all visits provided under the program. Because family and friends provide similar services, GAO visited 150 beneficiaries in their homes to determine if the use of home health aides was supplanting the support provided by family and friends.

Findings

In a review of a sample of beneficiary medical files at 37 home health agencies, GAO found that 27 percent of the home health visits were not covered under the program or were questionable. Two major reasons were that beneficiaries were not homebound and the services provided were not reasonable or medically necessary. GAO noted that other studies also disclosed similar results. GAO found that Medicare contractors or intermediaries deny few claims for payment because they receive from home health agencies little information on which to base a judgment. GAO found the homebound requirement of the program to be especially difficult to administer because of a lack of

clear criteria as to the ambulatory status of the beneficiaries and the nature and frequency of absences from home. For 28 percent of the cases, GAO was of the opinion that the beneficiary was capable of self care or family or friends were willing and able to provide the services required. GAO found several other factors which were adversely affecting proper utilization of the home health benefits: (1) physicians who authorize program services do not appear to be taking a very active role in the program; (2) Medicare contractors had little specific comparative information about the utilization practices of home health agencies; (3) the medical documentation in agency case files was often not complete; (4) home visits with beneficiaries were needed to verify various program requirements; and (4) contractors have little incentive to make proper coverage determinations.

Open Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should direct the Administrator of the Health Care Financing Administration (HCFA) to require home health agencies to submit a copy of the beneficiary's medical file where utilization exceeds the national guidelines mandated by the Omnibus Budget Reconciliation Act of 1981.

Status: Action in process.

The Secretary of HHS should direct the Administrator of HCFA to require home health agency nurses and aides to specifically document the ambulatory status of beneficiaries, including the nature and frequency of absences from the home.

Status: Action in process.

The Secretary of HHS should direct the Administrator of HCFA to require intermediaries to apprise physicians of the noncovered services provided under plans of care they approve.

Status: Action in process.

The Secretary of HHS should direct the Administrator of HCFA to include home visits to beneficiaries as part of the onsite coverage audits of home health agencies.

Status: Action in process.

The Secretary of HHS should direct the Administrator of HCFA to, where home health agencies provide aide services, require them to submit, with their bills, a copy of the aide needs assessment.

Status: Action not yet initiated. Although HCFA intends to act, it has not yet assigned any specific component to implement this recommendation. An action date is not known.

Health Care Services

State Veterans' Homes—Opportunities To Reduce VA and State Costs and Improve Program Management

HRD-82-7, 10/22/81

Background

State homes provide hospital, nursing home, and domiciliary care to needy, disabled veterans. The Veterans Administration (VA) helps states defray the costs of operating and constructing state homes through per diem payments and construction grants. GAO reviewed the state home program to find out if VA was effectively administering the program, if the method used to help states pay for the care provided should be changed, and if the homes were capable of providing quality care.

Findings

Because VA was generally not properly certifying the levels of care needed by veterans admitted to state homes, hospital and nursing home per diem rates were paid unnecessarily for many veterans requiring lower levels of care. The improper certifications occurred because VA physicians were not independently verifying the patients' need for the levels of care requested by the homes. Changes in the method of reimbursing states for

the care provided to veterans in state homes are not needed. The homes have been able to maintain or expand the services provided to veterans under the current method. Alternatives to increased VA funding exist. State homes could obtain more revenues from veterans receiving VA pensions, and part of the cost of care provided to some veterans could be recovered from Medicare or private health insurance. Because VA has not effectively planned and coordinated the construction or use of VA hospitals, state homes, and contract community nursing homes, VA and state home facilities may be constructed in areas having too many community or state nursing home beds while not enough beds may be available in other areas. State homes are capable of providing quality nursing home and domiciliary care to their patients, but they have only limited acute hospital care capabilities. VA inspections may not identify deficiencies because inspectors were not evaluating the surgical care provided by state home hospitals and were limiting the scope of their assessments because of a lack of guidance on how to assess compliance.

Open Recommendations to Congress

Congress should consider amending 38 U.S.C. 3203 to extend the pension reduction criteria to cover care being furnished in state homes and to authorize VA to transfer the money withheld to the states to help pay for the veterans' care.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Administrator of Veterans Affairs, through the Chief Medical Director, should revise state home standards to provide specificity and guidance such as that provided in the Joint Commission on Accreditation of Hospitals and Department of Health and Human Services (HHS) standards.

Status: Action in process. Estimated completion date: 06/86

Health Care Services

Guidance and Information Needed on the Use of Machine Readable Claims Under Medicare and Medicaid

HRD-82-30, 12/16/81

Background

GAO surveyed the: (1) extent that Medicare and Medicaid providers use machine readable claims and billing service companies; and (2) implications of their use on claims processing agent operations such as administrative costs, utilization and quality control reviews, and reimbursement determinations. GAO

was also interested in whether there were any potential conflicts of interest between claims processing agents and billing service companies.

Findings

The Health Care Financing Administration (HCFA) needs to improve controls over machine readable claim systems

in use under Medicaid and should obtain information so that it can develop policies for implementing the most effective and efficient systems for processing such claims. HCFA has established controls for the use of machine readable claims in the Medicare program, but not in the Medicaid program. In addition, it has not issued similar guidelines to

state Medicaid agencies or assisted them in developing machine readable claims systems. State Medicaid agencies using fiscal agents could experience problems if fiscal agents have ownership interests in billing companies because potential conflicts of interest could arise from the relationship between the fiscal agent processing the claims and the billing company submitting them. Although there is no HCFA guidance for the Medicaid program on this conflict of interest issue, HCFA has developed a proposed

new Medicaid Management Information System which requires states to be able to receive inpatient hospital claim data in the machine readable format required by the Medicare Program. However, the system's requirements will not establish any guidelines for the use of machine readable claims. HCFA needs to gather and analyze data on the benefits of machine readable claims. Limited available data show that machine readable claims offer significant potential savings to the federal government and the states.

Open Recommendations to Agencies

The Administrator of HCFA should gather and analyze sufficient data on the different types of machine readable claims systems used by Medicare and Medicaid claims processing agents to determine their relative costs and benefits so that policies encouraging the most effective and efficient systems for Medicare and Medicaid can be developed.

Status: Action in process. Estimated completion date: 09/86

Health Care Services

Need To Establish Medicaid Standards for Intermediate Care Facilities for the Mentally Retarded

HRD-82-57, 04/16/82

Background

GAO reviewed the growth of small, community-based intermediate care facilities for the mentally retarded (ICF/MR), primarily in New York State.

Findings

In certain circumstances, states can temporarily waive compliance with federal ICF/MR standards and can certify for Medicaid reimbursement facilities which do not meet all of the standards. With few exceptions, the ICF/MR having 15 clients or fewer initially certified by New York State had major deficiencies, and more than half still had major deficiencies

when recertified. The Health Care Financing Administration (HCFA) is attempting to recover about \$7 million of federal Medicaid funds which it believes were inappropriately provided to those facilities since their initial certification. Medicaid payments for services in an ICF/MR are authorized if the facility's primary purpose is to provide health or rehabilitation services for mentally retarded individuals, the facility meets the HCFA standards, and individuals in the facility are receiving active treatment. Regulations allow termination of provider agreements based on recurring deficiencies. However, the regulations do not define when a facility's capacity to give adequate care is seriously limited or provide adequate guidance as to when a state should deny certifica-

tion because of a lack of active treatment. Appropriate guidelines would ensure that clients receive adequate care, Medicaid funds are appropriately spent, and regional offices have guidelines to review state programs.

Open Recommendations to Agencies

The Secretary of HHS should direct the Administrator of HCFA to establish which standards for ICF/MR cannot be waived and must be met before a state can certify a facility as eligible for Medicaid reimbursement.

Status: Action in process.

Health Care Services

Federal Oversight of State Medicaid Management Information Systems Could Be Further Improved

HRD-82-99, 07/30/82

Background

GAO reviewed the Medicaid Management Information System (MMIS) to follow up on actions taken by the Department of Health and Human Services (HHS) to implement prior GAO recommendations. On the federal level, MMIS is administered by the Health Care Financing Administration (HCFA).

Findings

The newly designed Systems Performance Review, which contains the performance standards developed in response to revised statutory requirements that approved systems must meet, has been successful in identifying some program weaknesses. While the performance standards include measures of system effectiveness and efficiency, economy of operations, a major purpose of MMIS, is not measured. Thus, HHS does not

know whether states' systems are meeting standards at a reasonable cost. HCFA recognizes the need to evaluate operational economy, but it has deferred action on this, anticipating that HHS will require states to implement a functional cost reporting system to ensure accurate and comparable cost data. Current performance standards do not include any measures of the states' effectiveness in identifying and correcting program misutilization by Medicaid providers and recipients or the contributions of the surveillance and utilization review subsystem (SURS) to that activity. GAO found that states were having problems with the SURS methodology which affected the subsystem accuracy in identifying potential misusers. Also, states: (1) were underreporting systems operating costs; and (2) had proceeded with automatic data processing (ADP) equipment or services purchases without obtaining prior HHS approval. HHS regulations require states

to obtain prior HHS approval before purchasing ADP equipment and services exceeding certain dollar limits, but HCFA requires states to follow this procedure only when they desire 90-percent federal funding.

Open Recommendations to Agencies

The Secretary of HHS should direct the Administrator of HCFA to include in future systems performance review standards and methodology a requirement to measure: (1) operational economy; (2) the states' effectiveness in identifying and correcting program misutilization; (3) contributions of SURS to overall surveillance and utilization review accomplishments; and (4) exception process methodology to better ensure accuracy of SURS data.

Status: Action in process.

Health Care Services

Savings Possible by Modifying Medicare's Waiver of Liability Rules

HRD-83-38, 03/04/83

Background

GAO reported on proposed legislation to modify Medicare's waiver of liability provision with respect to payments to hospitals, skilled nursing facilities, and home health agencies. The waiver of liability provision protects both beneficiaries and providers from having to pay for services they receive that Medicare will not pay for. The Administration proposed legislation that would delete the authorization to waive provider liability for claims for services submitted under

the Medicare part A program. Under the proposal, health care providers would no longer be paid when Medicare determined that a service was medically unnecessary, unnecessary, or custodial in nature. The proposal would not affect the protection afforded beneficiaries.

Findings

GAO believes that, while the proposed legislation would achieve the Administration's goal of savings and establish provider incentives, it is not

needed. In addition, the proposed legislation does not take into consideration provider concerns. GAO found that there are several ways to achieve savings without amending Medicare law. The Health Care Financing Administration (HCFA) currently presumes that beneficiaries and providers did not know that payment would be denied unless there is evidence to the contrary. All of the savings methods identified by GAO would modify the provider's presumptive status, but the provider would retain the right to appeal for waiver: (1) HCFA could

eliminate the presumption and the applicability of the waiver provision could be determined on a case-by-case basis; (2) the denial rate criteria used to determine presumed eligibility for waiver of liability could be tightened; or (3) the method for establishing whether a provider is

presumed eligible for a waiver could be changed.

Open Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should direct the Ad-

ministrator of HCFA to establish more stringent eligibility requirements for the application of waiver of liability for health care providers under part A of Medicare.

Status: Action in process. Estimated completion date: 02/86

Health Care Services
Medicare/Medicaid Funds Can Be Better Used To Correct Deficiencies in Indian Health Service Facilities

HRD-83-22, 08/16/83

Background

GAO reviewed the Indian Health Service's (IHS) management of funds collected from Medicare and Medicaid programs for services provided in its facilities to Indians eligible for these programs. IHS is required by law to use the funds collected to make improvements in its facilities to enable them to meet and remain in compliance with Medicare/Medicaid standards.

Findings

In 1976, only half of IHS hospitals met the Medicare/Medicaid standards. IHS began applying its Medicare/Medicaid funds toward the objective of bringing all of its facilities into compliance with the

standards and, by October 1981, the objective was achieved. IHS now spends the funds primarily on recurring costs needed to maintain compliance. However, IHS has established a practice that results in the allocation of available Medicare/Medicaid collections to the facility that provided the services rather than redirecting them to the most needy facilities. This practice has not ensured that the facilities most in need of funds receive them and has resulted in the accumulation of a large, unobligated balance of Medicare/Medicaid collections. GAO also found that the IHS Medicare/Medicaid billing and collection system is much more costly than those of private hospitals because: (1) IHS is not able to take advantage of the economies afforded by volume billing; and (2) the involvement of multiple IHS organizational

levels in the primarily manual system is cumbersome and results in additional work through the maintenance of duplicate records.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Assistant Secretary for Health to increase the efficiency of the IHS Medicare/Medicaid billing and collection system by such means as eliminating duplicative functions among the various IHS organizational levels and increasing automation of the system where justifiable by cost savings.

Status: Action in process. Estimated completion date: 10/86

Health Care Services
Hospital Merger Increased Medicare and Medicaid Payments for Capital Costs

HRD-84-10, 12/22/83

Background

Pursuant to a congressional request, GAO investigated the acquisition of the assets of Hospital Affiliates International, Inc. (HAI) by the Hospital Corporation of America (HCA). GAO used the merger as an example of changes in hospital costs under current Health Care Financing Administration (HCFA) Medicare policies for reimbursement of capital expenses

after changes in hospital ownership. GAO focused on changes in interest, depreciation, and home office expenses because these costs are most likely to increase as a result of such acquisitions.

Findings

GAO found that capital costs at the acquired hospitals increased by about \$55

million during the first year after the acquisition. This resulted from increased interest and depreciation expenses. These increases were only partially offset by decreases in home office costs. While HCA believes that management improvements instituted in the acquired hospitals will result in substantial savings, GAO was unable to evaluate the claimed savings because HCA was unable to quan-

tify them. GAO also found that, at the two hospitals evaluated, per-patient-day Medicare and Medicaid costs increased. GAO questioned the procedures HCA used to allocate interest to, and compute depreciation on, the acquired hospitals. GAO found that: (1) HCA allocated debt and related interest to Medicare using a method different from that prescribed by HCFA, resulting in higher capital costs being allocated; (2) HCA discounted the debt assumed from HAI that bore below-market interest rates at the time of acquisition, increasing the amount of interest claimed from Medicare; and (3) HCA assigned inaccurate values to the real assets because of inconsistent ap-

praisal and depreciation practices. GAO also questioned the accuracy and independence of the appraisal because the appraised values were changed at the request of HCA.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator of HCFA to ensure that the intermediaries consider the GAO findings when finalizing the amount of increased costs associated with this acquisition that will be recognized as allowable by Medicare.

Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of HCFA to clarify Medicare guidelines as they relate to: (1) procedures for allocating debt and interest expenses for multiasset acquisitions; (2) prohibiting the discounting of assumed debt; and (3) acceptable asset valuation procedures when appraisals are used, including independence of the appraiser, consideration of the ownership of the assets, and useful life consistency.

Status: Action in process.

Health Care Services

Inadequate Controls Over Medicare Payments for Once-in-a-Lifetime Physician Procedures

HRD-84-23, 02/13/84

Background

GAO evaluated the controls that Medicare carriers have over payments for once-in-a-lifetime physician procedures. The Health Care Financing Administration (HCFA) promulgates program regulations and defines such procedures as certain types of surgical operations and initial service visits.

Findings

GAO found that there is a fairly widespread lack of compliance with the

HCFA requirement to control payments for these physicians procedures. Overpayments at the two carriers reviewed by GAO indicated that overpayments are probably substantial nationwide.

Open Recommendations to Agencies

The Administrator of HCFA should develop a core list of codes to be controlled as once-in-a-lifetime procedures while

implementing the HCFA Common Procedure Coding System and require carriers to have edits for these procedures.

Status: Action in process. Estimated completion date: 03/86

The Administrator of HCFA should examine the desirability of requiring carriers to make use of procedures that can only be performed once on a beneficiary a permanent part of beneficiaries' records.

Status: Action in process. Estimated completion date: 01/86

Health Care Services

Medicare Reimbursements for Conventional Eyeglasses

HRD-84-44, 03/07/84

Background

GAO reviewed the administration of Medicare reimbursements for cataract surgeries and prosthetic lenses by seven carriers in seven states.

Findings

In addition to the prosthetic lenses which physicians prescribe to restore useful vision in patients who have aphakia, because the natural lens of the eye is absent or was removed because of a cataract, conventional eyeglasses are usually prescribed for patients to provide refractive correction. Medicare has been paying for cataract eyeglasses or any

combination of prosthetic lenses determined to be medically necessary to restore vision after the removal of the natural lens. However, Medicare does not pay for routine eye care or for conventional eyeglasses for the nonaphakic beneficiary and has specifically excluded conventional eyeglasses from coverage. GAO estimated that the seven Medicare carriers reviewed paid about \$6 million in 1982 for conventional eyeglasses worn by aphakic and pseudophakic beneficiaries. GAO found that the conventional eyeglasses worn by the aphakic or pseudophakic patient perform the same function as eyeglasses worn by the non-

aphakic patient. Because coverage of conventional eyeglasses which provide refractive correction is specifically excluded under Medicare, covering such eyeglasses for aphakic and pseudophakic beneficiaries is inconsistent with Medicare law.

Open Recommendations to Agencies

The Administrator of the Health Care Financing Administration (HCFA) should discontinue Medicare payments for conventional eyeglasses for aphakic and pseudophakic beneficiaries.

Status: Action in process.

Health Care Services

Expanded Federal Authority Needed To Protect Medicare and Medicaid Patients From Health Practitioners Who Lose Their Licenses

HRD-84-53, 05/01/84

Background

GAO obtained information on health care practitioners in three states who had their licenses revoked or suspended to determine whether they were relocating and continuing to treat patients under the Medicaid and Medicare programs in other states.

Findings

GAO found that, when a state licensing board revokes or suspends a practitioner's license, Medicare and Medicaid are informed that he can no longer legally provide services in that state. However, sanctioning action by one state does not automatically result in sanctioning by other states where the practitioner holds licenses. GAO obtained information

on 328 sanctioned practitioners who had their licenses revoked or suspended for a year or more during the period from January 1977 to December 1982. The practitioners were sanctioned for such offenses as drug trafficking, malpractice, alcohol and drug abuse, immoral conduct, private insurance fraud, and submitting false Medicare or Medicaid claims. Of the 328 sanctioned practitioners, 122 held licenses in at least one state other than the state which took action against them; 39 relocated and enrolled in the Medicare and/or Medicaid programs; 10 relocated, but no Medicare or Medicaid participation was identified; and 43 held licenses in other states but could not be located. Under Medicare and Medicaid law, the Department of Health and Human Services (HHS) can exclude practitioners

from participation in these programs only for acts committed against the program or its beneficiaries. GAO believes that HHS could better protect Medicaid and Medicare beneficiaries if it had extended authority to exclude unqualified practitioners from participating in these programs.

Open Recommendations to Agencies

The Secretary of HHS should direct the HHS Inspector General to include in the Health Care Program Violation Information System all practitioners sanctioned by state licensing boards.

Status: Action in process.

Health Care Services Payment Rates for Ambulatory Surgery Centers Are Higher Than Intended by HCFA

HRD-84-67, 07/12/84

Background

GAO examined the methodology used by the Health Care Financing Administration (HCFA) for establishing the standard overhead amounts to be paid to ambulatory surgery centers (ASC) and compared the cost to Medicare for surgery performed in ambulatory versus inpatient settings.

Findings

The Omnibus Reconciliation Act of 1980 authorized payments under Medicare to ASC's to cover their operating costs. The payment amounts, called standard overhead amounts, were to be based on the HCFA estimate of the costs generally

incurred by ASC's in furnishing services in connection with ambulatory surgery. Also, the standard overhead amounts were to be set at a level that would ensure that the Medicare costs of services in ASC's would be substantially less than the costs of the surgeries if performed on a hospital inpatient basis. GAO found that HCFA set standard overhead amounts for ambulatory surgery that appear to save Medicare program dollars. However, in computing the standard overhead amounts, HCFA did not adjust charge data by the cost-to-charge ratio as intended. As a result, the standard overhead amounts are 10 percent higher than intended. GAO believes that better data should now be available than the limited information HCFA had when it established the ASC payment rates. HCFA

should begin the process of reevaluating the rates.

Open Recommendations to Agencies

The Administrator, HCFA, should recompute the ASC payment rates to incorporate the cost-to-charge adjustment.

Status: Action in process. Estimated completion date: 07/86

The Administrator, HCFA, should obtain more complete and current data on ASC costs and develop payment rates from it.

Status: Action in process. Estimated completion date: 07/86

Health Care Services New York Requires Employed Medicaid Recipients To Enroll in Employer-Sponsored Health Insurance

HRD-84-86, 08/10/84

Background

As a part of its review of the use of recipient health insurance coverage to avoid Medicaid costs, GAO reported on the New York State practice of requiring working recipients to enroll in available employer-sponsored health insurance plans.

Findings

GAO found that, if the insurance programs require employee contributions, the state is using Medicaid funds to make contributions to private health in-

surance programs for employed Medicaid recipients. Even though this practice appears to have the potential for Medicaid savings, the State's imposition of this additional Medicaid eligibility criteria is not permitted by federal law. Such conditions for eligibility are only permissible if the State requests and is granted a waiver from Medicaid requirements for demonstration project purposes.

Open Recommendations to Agencies

The Administrator of the Health Care Financing Administration (HCFA) should

direct the New York State Medicaid agency to discontinue the practice of requiring Medicaid recipients to enroll in employer-sponsored health insurance as a condition for eligibility until, and unless, it seeks demonstration project status for this practice and HCFA approves the necessary waiver.

Status: Action in process.

Health Care Services

Proposal To Improve Identification and Collection of Medicare Part B Duplicate Payments

HRD-84-88, 08/17/84

Background

GAO reviewed the operations of selected Medicare claims processing contractors to determine whether it would be cost beneficial for the carriers to periodically screen their claims on a postpayment basis to recover duplicate payments.

Findings

GAO found that screening paid claims to identify duplicate payments could be cost beneficial. For two of the contractors, GAO identified an estimated \$184,700 in duplicate payments on which it believed the carriers should follow up. The carriers estimated that their costs to investigate and take the necessary recovery steps would be about \$77,800. Prior work

showed that carriers' programs to identify or recover overpayments for medically unnecessary services on an after-the-fact or postpayment basis had not been cost beneficial at six of nine carriers reviewed and had about broken even at the other three. Although GAO has supported the postpayment utilization review function because of the deterrent effect on program abuse and other non-quantifiable benefits, GAO believes that a postpayment duplicate payment detection effort offers opportunities for substantially more favorable cost benefit results than the carriers' postpayment utilization review activities. Detecting and denying duplicate claims before payment is far better than identifying and attempting to recover an erroneous payment. GAO

believes that, in the long run, the most important benefit of screening paid claims may be that carriers will be better able to identify and correct the billing or processing problems that allowed the duplicate payments to be made. If so, duplicate payments may be reduced to the point that screening paid claims will not be worthwhile.

Open Recommendations to Agencies

The Administrator of the Health Care Financing Administration (HCFA) should require Maryland Blue Shield to follow up on the 6,130 potential duplicates GAO identified.

Status: Action in process.

Health Care Services

Need for Legislative Change Affecting the Medicaid Program

HRD-85-9, 11/30/84

Background

GAO has been conducting an ongoing review of the Medicaid program which is a federally aided and state-administered medical assistance program that currently covers about 22 million low-income people.

Findings

GAO found that a possible inequity could result in states having to pay the full medical costs for certain Medicaid recipients. This possible inequity occurs when Medicaid recipients are also covered under other self-insured health plans which are regulated by the Employee Retirement Income Security Act (ERISA). States administer Medicaid and also regulate most private health insurance plans and are, therefore, capable of ensuring that plans

under their regulatory control do not operate as secondary payers to Medicaid. However, ERISA is federally administered, and insurance plans operating under it are exempt from state regulation. As a result, to the extent that ERISA plans designate themselves as secondary payers to Medicaid, states are placed in the position where they may have to pay the medical costs of Medicaid recipients without the federal government's sharing in such costs. Since states cannot regulate self-insured ERISA health plans, GAO does not believe that Congress intended to deny Medicaid funds to states because of the actions of such plans. However, federal regulations require that federal funds be denied in some cases. The Department of Health and Human Services recognizes this as inequitable and, as yet, has not disallowed federal

participation in these situations. Allowing such participation, however, is contrary to Medicaid law and regulations.

Open Recommendations to Congress

Congress should consider enacting one of the following options: (1) amend the Employee Retirement Income Security Act of 1974 to establish ERISA health and welfare plans as primary payers to Medicaid; or (2) amend section 1903(o) of the Social Security Act to restrict the denial of federal financial participation to only state-regulated insurance plans that exclude payment for services covered by Medicaid.

Status: Action in process.

Health Care Services

Opportunities To Reduce Medicare Payments for Prosthetic Lenses While Enhancing Nationwide Uniformity of Benefits

HRD-85-25, 01/10/85

Background

GAO discussed two opportunities for reducing the large number of Medicare payments for prosthetic eye lenses after cataract surgery and for ensuring that beneficiaries are provided with consistent benefits.

Findings

GAO found that some of the Medicare beneficiaries who have cataract surgery later obtain multiple replacement prosthetic lenses. GAO found that, because Medicare regulations do not establish specific limits on the number of replacement lenses for which it will pay, limits among the carriers varied from

stringent limits to none at all. GAO also found that physicians were receiving overly high payments for their services compared to allowed charges for other similar procedures. GAO estimates that improved guidance by the Department of Health and Human Services (HHS) could have resulted in a reduction in Medicare allowed charges of at least \$7.4 million during 1982 in areas served under 7 of the program's 49 claims processing contracts.

Open Recommendations to Agencies

The Secretary of HHS should direct the Administrator of the Health Care Financing Administration (HCFA) to develop and

implement guidance to require that carriers establish cost-based reimbursements for prosthetic lenses and separate reasonable allowances for the professional services related to fitting cataract eyeglasses and contact lenses.

Status: Action in process.

The Secretary of HHS should direct the Administrator of HCFA to develop and implement uniform screens for the number of replacement prosthetic lenses for which Medicare payment will be made. Replacements exceeding the screens should require justification before payment is made.

Status: Action in process.

Health Care Services

Changes Needed in Medicare Payments to Physicians Under the End Stage Renal Disease Program

HRD-85-14, 02/01/85

Background

GAO reviewed a new method of physician reimbursement in the End Stage Renal Disease (ESRD) program which is administered by the Health Care Financing Administration (HCFA). Since August 1983, renal physicians are reimbursed for outpatient care on the basis of a monthly capitation payment and for inpatient care on a fee-for-service basis. GAO evaluated the HCFA methodology for deriving the monthly capitation payment to determine if it accurately reflected the services provided and evaluated whether physician payments were properly determined.

Findings

The HCFA formula for deriving the monthly capitation rate assumed that outpatients receive about 70 percent of the

physician services received by inpatients and adjusted the monthly fee accordingly. GAO found that, on the average, outpatients were seen about 25 percent as often as inpatients. Using the GAO percentage in the average monthly payment formula would reduce Medicare allowed charges for physicians' services by about \$11.8 million annually. Furthermore, GAO found that, by using special dialysis procedure codes, ESRD physicians receive higher payments without showing that the services provided were greater than those provided to other hospital inpatients. However, HCFA and Medicare carriers have not defined what services should be provided under the special codes. In addition, GAO estimated that an annual savings of about \$1.3 million could be achieved by reimbursing physicians for hospital dialysis visits on the basis of hospital visit codes rather than special

dialysis visit codes. Finally, GAO identified about \$721 thousand in incorrect payments and another \$527 thousand in questionable payments covering periods of up to 3 years. Most of the incorrect payments resulted from administrative complexities involved in the collection procedures for hospitalized ESRD patients who receive maintenance dialysis. GAO believes that the use of a capitation payment system for both inpatients and outpatients would eliminate some of these administrative problems.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Administrator of HCFA to modify the monthly capitation payment rate taking into consideration GAO survey data on related physician involvement with home and facility patients.

Status: Action not yet initiated. HHS has not commented on the final report, and its comments on the draft report were noncommittal.

If the recommendation for a total caption system is not accepted, the Secretary of Health and Human Services should direct the Administrator of HCFA to either: (1) eliminate the special dialysis visit procedure codes and pay physicians for the services provided to hospitalized ESRD patients during dialysis on the basis

of hospital visit codes; or (2) modify the dialysis visit codes to reflect the nature and scope of physician services provided during dialysis and the amounts other physicians receive for the same or similar services.

Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of HCFA to develop and implement a total caption system to reimburse

renal physicians for all routine physician services provided to ESRD beneficiaries. Such a system should be based on the current monthly caption payment rates adjusted for home patient care and the value of routine hospital visits as discussed in this report.

Status: Action not yet initiated. HHS has not commented on the final report, and its comments on the draft report were noncommittal.

Health Care Services

Improved Efforts Needed To Relieve Medicaid From Paying for Services Covered by Private Insurers

HRD-85-10, 02/12/85

Background

GAO reviewed the administration of Medicaid programs by six states to assess the extent and effectiveness of their efforts to reduce Medicaid program costs by using other available health care resources. In addition, GAO described how state Medicaid practices for identifying and collecting private health insurance could be improved through more oversight by the Health Care Financing Administration (HCFA).

Findings

GAO found that: (1) when determining eligibility for Medicaid, three states asked only general questions about insurance resources; (2) in three other states, when recipients acknowledged having insurance coverage, caseworkers often failed to follow up and obtain the information necessary to use the insurance; (3) four states did not have ongoing programs to identify potential insurance coverage by computer matching Medicaid files with other state data sources; (4) there was limited follow-up by the states to determine whether a liability insurer could be responsible for a claim; and (5) the Social Security Administration could help states better identify Medicaid recipient insurance resources by obtaining more insurance information for supplemental

security income recipients. GAO also found that, due to the administrative work involved in seeking recovery of Medicaid costs from liable insurers, states are limited in the amount which they try to recover. Finally, GAO found that HCFA focuses its oversight of state practices related to recipient insurance resources on compliance reviews. These reviews have not identified some major weaknesses, and HCFA has not consistently gotten states to adopt the improvements which it suggested because there are no specific regulatory standards on how states should identify and use Medicaid recipients' insurance resources.

Open Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should direct the Administrator, HCFA, to implement one of two options. One alternative is to use the HCFA quality control program to influence states to improve their practices for identifying and applying health and liability insurance by: (1) developing quality control program sampling procedures that would determine the amount of erroneous payments due to unrecovered health and liability insurance; and (2) determining an acceptable level of performance, after a base error rate is established, and requiring that states not

meeting these performance standards lose the federal share of erroneous payments exceeding the target error rates.

Status: Action in process.

The Secretary of HHS should direct the Administrator, HCFA, to implement one of two options. One alternative is to strengthen the HCFA oversight of state practices for using available health and liability insurance resources by issuing regulations that require specific practices including: (1) using interview forms that ask the Medicaid applicants a series of questions designed to detect available insurance resources; (2) establishing procedures for obtaining needed information about the Medicaid applicants' insurance coverage; (3) requiring states to use their available state automated data bases to identify sources of insurance available to Medicaid recipients; (4) using effective follow-up procedures to recover from insurers responsible for paying claims covering accident-related injuries; and (5) using a cost avoidance system that avoids paying claims where states have indications that health insurance resources are available to pay the claims.

Status: Action in process.

Health Care Services

Medicare's Policies and Prospective Payment Rates for Cardiac Pacemaker Surgeries Need Review and Revision

HRD-85-39, 02/26/85

Background

Pursuant to a congressional request, GAO reviewed the impact on Medicare costs of: (1) pacemaker manufacturers' warranty policies; (2) pacemaker manufacturers' marketing policies; and (3) hospitals' procedures for acquiring and charging for pacemakers. In addition, GAO analyzed the impact of hospitals' and manufacturers' policies on the reasonableness of Medicare's new payment rates under the prospective payment system.

Findings

GAO found that, although pacemaker manufacturers offer discounts ranging from 5 to 40 percent, very few hospitals have obtained discounts because: (1) manufacturers do not advertise discounts; and (2) the cost reimbursement system used by Medicare in 1981, which was used as the base for reimbursement rates under the prospective payment system, did not provide incentive for hospitals to seek discounts. GAO also found that: (1) most hospitals do not enhance their ability to obtain discounts by coordinating pacemaker purchases with their practicing physicians or with affiliated hospitals; (2) it could not obtain enough data to determine whether hospitals generally take advantage of warranty credits for replacement pacemakers; (3) the prospective payment system provides an incentive for hospitals to take advantage of warranty credits; and (4) the data used by the Department of Health and Human Services (HHS) to compute prospective payment rates for pacemaker surgeries contained errors, including the use of unaudited hospital cost reports and classification of pacemaker cases under the wrong diagnostic-related groups (DRG). In addition, GAO stated that HHS may

need to: (1) establish separate DRG's for procedures involving dual chamber pacemakers and guidance for the appropriate use of such pacemakers; and (2) require that all explanted pacemakers be returned to their manufacturers for testing.

Open Recommendations to Agencies

The Secretary of HHS should require hospitals to return all explanted pacemakers and leads to the manufacturers, require the manufacturers to test all returned pacemakers and leads, and require the manufacturers to report the results of the tests to the hospitals. This would provide the information necessary to determine the extent to which warranty credits are being issued.

Status: Action not yet initiated. HHS has not commented on this recommendation, and GAO does not know what action HHS plans.

The Secretary of HHS should use the information obtained through implementation of the recommendation concerning the return to the manufacturer of explanted pacemakers to ensure that Medicare benefits when warranty credits are issued.

Status: Action not yet initiated. HHS has not commented on the report.

The Secretary of HHS should direct the Administrator of the Health Care Financing Administration (HCFA), when updating pacemaker DRG rates, to use data that are as current as possible to reflect the improved efficiency that should result from the incentives toward prudent pacemaker purchasing under Medicare's prospective payment system.

Status: Action not yet initiated. HHS has not commented on the report.

The Secretary of HHS should direct the Administrator of HCFA to review the appropriateness of the classification under DRG 117 of procedures that involve replacement of pacemaker systems with those that do not.

Status: Action not yet initiated. HHS has not commented on the report.

The Secretary of HHS should direct the Administrator of HCFA to determine the conditions under which the use of dual chamber pacemakers is medically warranted.

Status: Action not yet initiated. HHS has not commented on the report.

The Secretary of HHS should direct the Administrator of HCFA to determine if the increased use of dual chamber pacemakers, to the extent justified by medical necessity, warrants establishing separate DRG's for them.

Status: Action not yet initiated. HHS has not commented on the report.

The Secretary of HHS should direct the Administrator of the HCFA to review the situations resulting in the replacement of pacemakers that are still functioning within specifications to determine if unnecessary replacements occur and, if so, take action to minimize unnecessary replacements.

Status: Action not yet initiated. HHS has not commented on the report.

Health Care Services

Medicaid Overpayments Made to Hawaii Should Be Disallowed

HRD-85-47, 03/20/85

Background

GAO reviewed Hawaii Medicaid operations to determine if federal Medicaid funds were properly used as a secondary resource to pay for medical costs that resulted from motor vehicle accidents.

Findings

GAO found that: (1) Hawaii did not always follow federal statutory requirements to use other insurance available to Medicaid recipients before the Medicaid;

(2) under its no-fault motor vehicle insurance law, Hawaii had allowed insurers to exclude medical coverage for Medicaid recipients who in certain circumstances were injured while driving their vehicles; and (3) when the coverage for Medicaid recipients was not excluded, Hawaii was not actively pursuing collections from the no-fault insurers. GAO estimated that, during the fiscal years 1982 to 1984, Hawaii paid about \$1.4 million in federal funds for health services that it would not have paid if it had followed Medicaid's third-party liability provisions.

Open Recommendations to Agencies

The Administrator of the Health Care Financing Administration (HCFA) should recoup the federal portion of Medicaid payments for which Hawaii did not treat Medicaid as secondary payer and disallow future Medicaid claims of this nature.

Status: Action in process.

Health Care Services

Payment for Inpatient Alcoholism Detoxification and Rehabilitation Services Under Medicare Needs Attention

HRD-85-60, 04/29/85

Background

Under Medicare's prospective payment system (PPS), hospitals are paid on the basis of patient illness and receive predetermined rates for treating patients with the same diagnosis which are combined into diagnosis related groups (DRG). GAO evaluated hospitals' compliance with Medicare guidelines for inpatient treatment of alcohol abuse and examined the effects of PPS rates on the delivery and payment of alcoholism treatment services.

Findings

GAO found that PPS rates do not accurately reflect the cost of alcoholism care for most individual cases because the rates do not typify actual treatments. As a result, the payment rates may overpay hospitals for one treatment and underpay for other treatments

giving hospitals economic incentives to provide the overpaid treatments and disincentives to provide the underpaid treatments, regardless of the need. The Health Care Financing Administration (HCFA), in its efforts to obtain better data to develop prospective rates for alcoholism treatments, has made no provisions to check the accuracy of hospitals' reports concerning whether treatments included detoxification services, rehabilitation services, or both. GAO also found that Medicare provides guidelines that limit coverage for alcohol-related services, but that Peer Review Program (PRO) intermediaries have not adequately enforced the guidelines resulting in questionable payments for alcoholism care. PRO intermediaries may improve alcoholism claims review efforts but many PRO contracts do not contain assurances that all aspects of Medicare's guidelines will be applied in the reviews.

Open Recommendations to Agencies

The Administrator, HCFA, should refine the study of alcoholism treatment DRG's by: (1) verifying, on a sample basis, the data submitted by hospitals; and (2) identifying and accounting for all types of treatments, including detoxification, rehabilitation, combination, and recap or reinforcement treatments.

Status: Action in process. Estimated completion date: 09/86

The Administrator, HCFA, should ensure that PRO intermediaries use alcoholism treatment review criteria that are consistent with and cover all aspects of Medicare guidelines for alcoholism treatments.

Status: Action in process.

Health Care Services

Procedures for Avoiding Excessive Rental Payments for Durable Medical Equipment Under Medicare Should Be Modified

HRD-85-35, 07/30/85

Background

Pursuant to a congressional request, GAO evaluated the probable effects of implementing certain Department of Health and Human Services (HHS) procedures for avoiding excess rental payments on durable medical equipment under Medicare. HHS prepared instructions which stated that Medicare would pay for all low-priced medical equipment on a purchase basis and high-priced equipment on a purchase basis if the expected duration of need showed that purchase was less costly than rental. However, the effects of the instructions were uncertain because of two conflicting studies on the implementation of the procedures.

Findings

GAO found that the primary difference between the studies was in the length of time that a beneficiary rented a piece of equipment. Under the current instructions, if all low-cost items were reimbursed on a purchase basis, there would be a reduction of 21 percent in the allowable costs, compared with the 15-percent increase in costs reported in the HHS grantee study. GAO also found that HHS could increase its savings if it allowed beneficiaries 1 month's rent before limiting reimbursement to the purchase price. Although

excess rentals were a large portion of the total allowed charges for high-cost equipment, there were insufficient data to reliably predict when purchasing would be less costly than renting. GAO generally agreed with the grantee's conclusion that the probability of savings from implementation of the existing instructions for high-cost items would be uncertain. Because GAO believed that the problem needed more attention, it simulated the potential savings of several alternative solutions that did not require the use of medical necessity forms to reduce the excess charges and found that the best approach would be to put a cap on the amount of equipment rental payments; however, the disadvantage to this approach would be that medical suppliers would have to agree to accept whatever percentage was adopted. Presently, Medicare does not require that suppliers accept Medicare payments rates and, without an amendment to the law, suppliers could charge beneficiaries for any difference between the cap and the total rental charges as long as it was needed.

Open Recommendations to Congress

The Senate Committee on Finance should consider whether a legislative change

is warranted that would limit rental allowances for high-cost durable medical equipment items to a specific percentage in excess of the purchase price. Such a change would provide that Medicare rental payments for high-cost durable medical equipment may be made only on the basis of an assignment where the supplier agrees to accept the Medicare allowances and related limitations.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of HHS should direct the Administrator of the Health Care Financing Administration to modify the December 1984 instructions dealing with the reimbursement of low-cost durable medical equipment items on a purchase basis to provide for a 1-month waiting period and that such modified instructions be implemented.

Status: Action not yet initiated. HHS has not commented on the report, but in commenting on the draft, HHS stated that it disagreed with this recommendation. After considering the HHS comments, GAO concluded that the recommendation was valid and reaffirmed it in the final report.

Health Care Services

Future Usefulness of Admission Pattern Monitoring System Is Questionable

HRD-85-94, 08/20/85

Background

GAO reviewed the Admission Pattern Monitoring System (APM), which the Health Care Financing Administration (HCFA) designed to identify hospitals that had changes in admission patterns for use in determining which hospitals are most likely to have medically unnecessary admissions.

Findings

GAO found that APM was not an effective management tool for monitoring hospital

admissions because: (1) due to faulty design assumptions, it incorrectly identified many hospitals as having potential problems; and (2) it duplicated more reliable admissions monitoring systems. In 1985, HCFA stopped using APM to review hospital performance, but plans to use APM to evaluate peer review organization (PRO) activities. GAO agreed with the HCFA decision to discontinue using APM as a tool for identifying hospitals for PRO review of admissions practices; however, GAO is concerned about the proposed HCFA use of APM data as a PRO evaluation tool because: (1) hospital selection

would result in information applicable only to the hospitals evaluated; and (2) the methodology could give PRO's advance notice of the hospitals where their work will be most closely evaluated.

Open Recommendations to Agencies

The Administrator of HCFA should not use APM as a means of evaluating overall PRO performance.

Status: Action in process.

Health Care Services

Additional Changes to the Medicare Reimbursement Rates for Major Joint Procedures Are Needed

HRD-85-109, 09/12/85

Background

GAO reviewed the increase in the Medicare payment rate for bilateral or multiple joint replacement procedures in light of the resources used by the providers program costs.

Findings

GAO found that: (1) the payment rate for bilateral or multiple joint replacements was inadequate; (2) multiple replacements required more hospital resources than single replacements; (3) charges for these procedures exceeded payments by an average of \$12,600; (4) performing multiple replacements under separate hospitalizations could unnecessarily increase the costs of the Medicare program;

and (5) 18 percent of all revision surgeries performed in 1984 were paid for at a lower rate. GAO also found that: (1) all major joint revision surgeries should be included under diagnosis-related group (DRG) 209 where each diagnosis requires about the same amount of resources to treat; (2) all hip repair procedures should be included in DRG 210 and 211 because they are similar in resource requirements and clinical perspective; (3) the higher-cost revisions currently included in DRG 442 and 443 helped raise the overall Medicare payment rate and provided inadequate reimbursement for this surgery; and (4) the inequity in the payment rate for multiple replacements, if uncorrected, could adversely affect Medicare beneficiaries and the Medicare program.

Open Recommendations to Agencies

The Administrator of the Health Care Financing Administration (HCFA) should include all revisions of prior joint replacements under DRG 209.

Status: Action not yet initiated. HCFA has not commented on this report.

The Administrator of HCFA should include the repair of the femoral head in DRG 210 and 211 with other similar hip repair procedures.

Status: Action not yet initiated. HCFA has not commented on this report.

Health Care Services

The Congress Should Consider Amending the Medicare Secondary Payer Provisions To Include Disability Beneficiaries

HRD-85-102, 09/30/85

Background

Over the past several years, Congress has amended the Social Security Act to require that, when beneficiaries between the ages of 65 and 70 and those with end stage renal disease are covered under employer-sponsored group health insurance, private insurance pays for medical services before Medicare. Because of congressional actions to make Medicare the secondary payer for other beneficiaries covered under group health plans, GAO estimated how much could be saved by extending these provisions to include disabled Medicare beneficiaries.

Findings

GAO found that persons who receive social security disability payments for 24

consecutive months become eligible for Medicare benefits since they cannot work and are not covered under an employer group health plan. As of 1985, there were about 2.9 million Medicare disability beneficiaries. However, if their spouses are employed and enrolled in a plan that covers the disabled, under current law, the group health plan is a secondary payer to Medicare. GAO estimated that, if all employers would be required to provide group health insurance as primary to Medicare as required for end stage renal disease benefits, the maximum savings available to Medicare would be about \$491 million in fiscal year 1986. If Congress decides to pass the legislation to make the group health insurance primary only when employers have 20 or more employees, then the savings would be reduced to about 23 percent.

GAO believes that, if the legislation is passed, safeguards should be adopted to preclude discrimination against spouses of disabled beneficiaries.

Open Recommendations to Congress

Congress should consider extending the provision making Medicare a secondary payer to include working spouses' employer-sponsored group health insurance that covers disabled Medicare beneficiaries. If Congress does so, section 162(i)(1) of the Internal Revenue Code should also be amended to provide safeguards against possible discrimination against spouses of disabled beneficiaries by employer group health plans.

Status: Action not yet initiated.

Health Planning and Construction

The Congress Should Mandate Formation of a Military-VA-Civilian Contingency Hospital System

HRD-80-76, 06/26/80

Background

In response to a request, GAO reviewed the Department of Defense's (DOD) plans to use nonmilitary hospitals to treat battlefield casualties in the event of war or conflict, and discussed the need for developing a contingency hospital system consisting of DOD, the Veterans Administration (VA), and civilian medical resources. The primary emphasis is that the VA role should be greater than currently planned by DOD. The extent of support VA will provide DOD in treating returning battlefield casualties is the most important issue in developing a civilian-

military contingency hospital system for medical treatment of wartime casualties. DOD has looked primarily to civilian medical resources to meet anticipated shortfalls should the United States become involved in war. Only recently has specific consideration been given to VA medical capability. DOD officials said that civilian resources would still be needed to treat battlefield casualties even if DOD and VA resources were fully used for that purpose.

Findings

DOD recently revised several aspects of its original system. Major changes

are: (1) elimination of a new, possibly duplicative administrative structure as originally proposed; and (2) reliance on the military services for patient administration responsibilities. GAO agreed with these revisions. DOD-revised plans are still unclear about how civilian beds and staff would be made available. Available beds and staff should be identified assuming patients are discharged early whenever possible and nonemergency admissions are restricted during the war surge period. Failure to resolve issues regarding civilian physician and hospital reimbursement and liability could limit

implementation of the planned system. VA should be much more involved in planning and caring for battlefield casualties than it would be in caring only for those who will not return to duty. Just how much VA can participate is questionable. DOD has not told VA what its needs are, nor has VA told DOD what its capabilities are. GAO believes that the nation should prepare for a possible conflict by planning to appropriately use federal medical resources before calling on civilian resources. A strong peacetime medical resources sharing program could provide

a more effective relationship between VA and DOD that could prove invaluable in war.

Open Recommendations to Agencies

The Secretary of Defense should determine the optimal number and placement of U.S. aeromedical staging facilities with emphasis on locations near concentrations of military and VA medical resources.

Status: Action in process. Estimated completion date: 01/86

The Secretary of Defense should compare the medical care requirements calculated under various wartime scenarios with available federal medical resources to determine how much and what type of civilian medical care capability would be needed to augment federal capability.

Status: Action in process. Estimated completion date: 01/86

Health Planning and Construction DOD Needs Better Assessment of Military Hospitals' Capabilities To Care for Wartime Casualties

HRD-81-56, 05/19/81

Background

GAO reviewed the Department of Defense's (DOD) efforts to provide medical facilities for American casualties who would be returned to the United States for medical care in the event of a war in an overseas area.

Findings

The latitude provided in DOD guidance on the wartime use of military hospitals in the continental United States (CONUS) permits significant differences in the way the military services determine the extent of care that could be provided in their facilities if a war began. Under DOD guidance, the services have adopted different: (1) transition plans for converting individual hospitals to handle wartime casualties; (2) methods for identifying capacity of individual hospital facilities to expand the care for wartime workload; (3) stockpiling policies for

medical materials to meet mobilization expansion requirements; (4) types of buildings as wartime assets to augment hospital capacity; and (5) policies for retention of closed hospitals as future mobilization facilities. As a result of these differences, DOD does not have an accurate assessment of the medical mobilization capacity of CONUS military facilities. Recently, DOD has given little consideration to mobilization in configuring new hospitals, and its construction planning has been directed primarily to meeting design requirements for peacetime operations. Economic feasibility studies performed by the services before undertaking hospital construction projects have been used primarily to select the most cost-effective means of meeting peacetime military medical care needs. Design concept studies performed to determine configuration of new hospitals before construction are oriented to meeting peacetime performance requirements.

Open Recommendations to Agencies

The Secretary of Defense should require the services to complete planned capability assessments in conjunction with the updating of mobilization plans being completed in 1981.

Status: Action in process. Estimated completion date: 07/86

The Secretary of Defense should provide guidance to the military services by identifying adjustments in normal hospital operation procedures for nursing units and central surgical and medical support areas necessary to accommodate emergency expansion and compressed bed spacing during mobilization.

Status: Action in process. Estimated completion date: 07/86

Health Research

Improvements Needed in Clinical Testing of Anticancer Drugs

HRD-83-52, 09/26/83

Background

In response to a congressional request, GAO reviewed the clinical testing of anticancer drugs and the regulation of that testing by the Food and Drug Administration (FDA) to determine: (1) how well, during its review of new anticancer drug applications, FDA discharges its responsibility to protect human test subjects; (2) the manner in which drug sponsors and institutional review boards carry out their responsibilities; and (3) whether there is therapeutic intent during testing of anticancer drugs.

Findings

GAO found that FDA and the National Cancer Institute (NCI) have made some improvements to better ensure that patients involved in clinical testing of anticancer drugs are protected. These improvements include: (1) more monitoring of investigators who perform the clinical studies for the sponsors; (2) improved reporting of adverse drug reactions (ADR); and (3) increased controls over investigational new drug (IND) supplies. However, GAO believes that additional actions are needed. Delays by FDA reviewers in completing written reports on deficiencies resulted in FDA sending deficiency letters to sponsors 2 to 5 months after an application was received. GAO found instances where FDA was notified that its recommendations were not implemented because of a lack of a reporting system. Also, sponsors do not always submit amendments to FDA for review and, when they are submitted, FDA frequently does not review them or

does not review them in a timely manner. GAO found 12 protocols involving five drugs that had not been submitted to FDA for review. FDA regulations are not specific regarding: (1) the definition of ADR; and (2) the timeframes during which these reactions should be reported to FDA. In addition, it is difficult to determine in many instances whether a change in a patient's condition was caused by the IND or by some other factor. Finally, GAO found that NCI does not require monitoring visits, but plans to expand the number of investigators visited.

Open Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should require the Commissioner of FDA to give sponsors and clinical investigators more precise guidance as to what types of reactions they should report as ADR and when they should report possible ADR in cases in which the reaction's relationship to the drug is uncertain. This should include specific timeframes for reporting ADR to FDA.

Status: Action in process.

The Secretary of HHS should require the Commissioner of FDA to urge sponsors, if they have not already done so, to establish definite timeframes for clinical investigator reporting of ADR which will allow the sponsors time to meet FDA reporting requirements.

Status: Action in process.

The Secretary of HHS should instruct sponsors to label or otherwise highlight ADR forms or mailing envelopes to ensure that ADR will be recognized and dealt with immediately upon their arrival at FDA.

Status: Action in process.

The Secretary of HHS should require the Director of NCI to review the need for and usefulness of its drug study data base. If needed, NCI should require clinical investigators to submit data in a more timely and complete manner. If not needed, NCI should terminate the effort.

Status: Action in process.

The Secretary of HHS should require the Commissioner of FDA to: (1) issue final sponsor-monitoring regulations; and (2) establish specific requirements for information to be included in progress reports submitted by sponsors of drug studies.

Status: Action in process.

The Secretary of HHS should direct the Commissioner of FDA to revise its regulations to require sponsors to approve and submit for FDA review, before clinical testing begins, all clinical protocols.

Status: Action in process.

The Secretary of HHS should direct the Commissioner of FDA to develop a system for identifying major IND amendments and promptly distributing them to reviewers.

Status: Action in process.

Health Research
Assuring Reasonableness of Rising Indirect Costs on NIH Research Grants—A Difficult Problem

HRD-84-3, 03/16/84

Background

In response to a congressional request, GAO reviewed the process followed by the Department of Health and Human Services (HHS) in establishing indirect cost rates for health research and development activities to: (1) identify HHS efforts to contain the growth of indirect costs; (2) assess HHS accountability over indirect costs; and (3) determine how often indirect cost audits are made and how the audit reports are used by HHS indirect cost negotiators.

Findings

HHS has proposed several policy options to simplify the indirect cost reimbursement process and reduce indirect cost payments made on National Institutes of Health (NIH) grants. However, GAO found that the process followed by HHS in negotiating indirect cost reimbursements does not ensure that negotiated indirect cost rates are reasonable. This

is particularly true for administrative expenses, which constitute about 35 percent of the indirect cost rates at large institutions. OMB Circular A-21 permits large institutions to be reimbursed on the basis of personnel activity reporting systems which are subjective and difficult to verify. However, small institutions may compute their allowable administrative costs on the basis of 20 percent of the salaries and expenses of deans and department heads. GAO found that few indirect cost audits have been performed by HHS auditors. However, in cases where indirect cost audits have been made, significant amounts of grantee-proposed indirect costs have been questioned and HHS negotiators sustained \$13.9 million of \$16.7 million questioned by HHS auditors over a 4.5-year period and have reduced indirect cost rates accordingly. Finally, GAO found that 49 of 69 NIH grantee negotiation files contained no written explanation of the reasons for significant increases in indirect costs from the previous years.

Open Recommendations to Agencies

The Director of the Office of Management and Budget (OMB) should revise Circular A-21 to establish a fixed allowance for large institutions' departmental administration expenses to replace the cost reimbursement method now used. Such an allowance could be computed in a manner similar to that permitted by OMB Circular A-21 for small institutions. The allowance could vary, if necessary, on an institution-by-institution basis, depending on individual circumstances. Such an allowance should represent a reasonable amount needed for effective research administration at the departmental level and, to the extent possible, be both relatively simple to compute and not result in disproportionate annual fluctuations compared to the direct costs of research.

Status: Action in process.

Prevention and Control of Health Problems
Restrictions on Abortion and Lobbying Activities in Family Planning Programs Need Clarification

HRD-82-106, 09/24/82

Background

In response to a congressional request, GAO reviewed the family planning program authorized by title X of the Public Health Service Act to determine whether title X funds have been used to finance lobbying activities or to support abortion-related activities.

Findings

GAO found no evidence that title X funds have been used either for abortions or to advise clients to have abortions. The Department of Health and Human Services (HHS) has held that these restrictions on the use of funds are applicable only to that part of a recipient's operation which is supported by title X. Title X recipients are allowed to carry out abortion-related activities if

those activities are separate from the title X family planning services. This creates some public confusion on the matter. Congressional guidance may be needed if Congress does not want title X funds to go to organizations which provide abortions. However, family planning clinics need formal guidance on abortion-related matters. GAO found some variations in clinic practices that it believed were questionable, such as: (1) counseling practices which do not present alternatives to

abortion; (2) abortion referral practices which may go beyond HHS referral policy; and (3) the use of educational materials which present barrier methods of contraception together with early abortion as a method of family planning in the event of failure. Title X recipients also need more specific guidance on lobbying activities. All of the recipients which GAO reviewed had incurred expenses that raised questions regarding adherence to federal restrictions. The organizations

used program funds to pay dues to lobbying organizations and, in two cases, used small amounts of program funds to lobby themselves. To establish more specific guidance on lobbying, HHS has initiated action to amend the cost principles for grantees.

Open Recommendations to Agencies

The Secretary of HHS should establish clear operational guidance by incorporat-

ing into the title X program regulations and guidelines of the HHS position on the scope of the restriction in section 1008. In doing so, the Secretary should provide as explicit guidance as possible on the activities that are not allowed.

Status: Action in process.

Prevention and Control of Health Problems
Legislative and Administrative Changes Needed To Improve Regulation of Drug Industry

HRD-83-24, 04/05/83

Background

Due to recent congressional concern about the significant decrease in the number of regulatory actions taken by the Food and Drug Administration (FDA), GAO reviewed FDA compliance activities to determine whether appropriate and timely regulatory actions are being taken against firms violating the law.

Findings

GAO found that, while the number of regulatory actions taken by FDA decreased considerably in fiscal year (FY) 1981, they increased in the category of regulatory letters during FY 1982 because

of what may be a one-time intensive effort against the manufacture of "look-alike" drugs. The primary factor influencing the decline of regulatory actions was increased FDA emphasis on voluntary compliance. Other significant factors included: (1) a 24-percent reduction in the number of inspectors; (2) an emphasis on abbreviated inspections; and (3) merit pay contracts which may discourage the submission of proposed regulatory actions because disapproved actions adversely affect performance ratings. GAO believes that, because FDA does not know how well voluntary compliance is working, it should develop a mechanism to measure whether the voluntary approach is result-

ing in compliance. Finally, GAO concluded that more timely and appropriate regulatory actions could be taken if the number of disapproved recommended actions could be reduced.

Open Recommendations to Congress

Congress should amend section 304(g) of the Food, Drug, and Cosmetic Act by adding drug products to the language which gives FDA the authority to administratively detain medical devices.

Status: Action not yet initiated.

Prevention and Control of Health Problems
Centers for Disease Control Should Discontinue Certain Diagnostic Tests and Charge for Others

HRD-83-37, 04/06/83

Background

In response to a congressional request, GAO reported on the Centers for Disease Control (CDC) laboratory diagnostic testing services program.

Findings

A diagnostic analysis of sample specimen records showed that, although the CDC diagnostic testing service is supposed to be a final resort for testing specimens, 46 percent of the diagnostic specimens tested at CDC during fiscal year (FY) 1981 were not tested initially by commercial or

state laboratories. GAO estimated the cost of unnecessary testing by CDC at \$1.9 million. Further, GAO found that specimens were not screened to determine whether prior testing had been performed. CDC laboratory personnel contended that it was easier to perform the tests than to screen and reject requests. Federal regulations require CDC to recover the

full cost of diagnostic testing services that it provides to private health care providers, clinical laboratories, and other federal agencies. However, in FY 1981, CDC collected no fees from private health care providers or clinical laboratories and only about \$30,000 from other federal agencies. GAO estimated that CDC could have collected about \$3.3 million in user charges from private health care providers and \$662,000 from other federal agencies.

Open Recommendations to Agencies

The Secretary of Health and Human Services should require the Director of CDC to recover the total cost of laboratory diagnostic testing services provided to private beneficiaries and other

federal agencies and to determine the extent to which other nonfederal agencies should be charged. More specifically, CDC should be directed to: (1) charge private health care providers and private clinical laboratories for diagnostic testing; (2) determine the extent to which other nonfederal recipients of CDC testing services should be charged by applying the provisions of the user charge statute and OMB Circular A-25; and (3) charge all federal agencies for diagnostic testing.

Status: Action in process. Estimated completion date: 12/85

The Secretary of Health and Human Services should require the Director of CDC to improve and enforce diagnostic specimen screening procedures. CDC

should be directed to prepare, and maintain on a continuing basis, a list of diagnostic tests which it and commercial or state laboratories can perform. Such a list would be used at the state and CDC laboratory levels to identify those specimens which should be tested initially at a commercial or state laboratory rather than CDC. In addition, CDC should not accept specimens for testing that are not accompanied by all available information requested on the forms provided by CDC for use in submitting specimens. Finally, CDC should not accept specimens for testing which are submitted directly from private health care providers and clinical laboratories unless such submissions are authorized by both CDC and the state laboratory.

Status: Action in process.

Prevention and Control of Health Problems Federal Regulation of Medical Devices—Problems Still To Be Overcome

HRD-83-53, 09/30/83

Background

GAO discussed the Food and Drug Administration's (FDA) efforts to regulate the medical device industry under amendments to the Food, Drug and Cosmetic Act which require FDA to: (1) protect the public against unsafe or ineffective new devices' gaining entry to the market; (2) review devices on the market before passage of amendments; and (3) classify all devices according to risk and regulate them.

Findings

GAO found that FDA does not have a comprehensive system to collect and analyze data on medical device problems or their causes and severity. The system focuses on problems with individual devices and has rarely been used to analyze trends with a particular group of devices. In addition, manufacturers and distributors are not required to notify FDA when they become aware of a death, injury, or hazard caused by a medical

device. FDA could also use an improved information system to give the private sector better information on user and maintenance problems. Many device experts whom GAO interviewed questioned the feasibility and utility of developing standards for over 1,000 devices because standards do not ensure safe and effective devices and may be obsolete by the time they are developed. GAO found that: (1) FDA has not reviewed the devices which were on the market before 1976; (2) a large number of devices will be involved; and (3) the process is time-consuming. GAO also believes that the FDA review of risky new devices on the basis that they are substantially equivalent to preenactment devices is not effective since FDA has not reviewed preenactment devices for safety and effectiveness as required by the amendments.

Open Recommendations to Congress

Congress could give FDA the flexibility to develop Class II performance standards

on a case-by-case basis by amending section 513(a)(1)(B) of the act to read: "(B) Class II. Performance Standards.—A device which cannot be classified as a Class I device because the controls authorized by or under sections 501, 502, 510, 516, 518, 519, and 520 by themselves are insufficient to provide reasonable assurance of the safety and effectiveness of the device, for which there is sufficient information to establish a performance standard to provide such assurance. The Secretary shall identify those Class II devices for which it is considered necessary to establish a performance standard to provide reasonable assurance of their safety and effectiveness and shall do so in accordance with section 514."

Status: Action in process.

Congress could eliminate the provision of the act that permits FDA to approve new Class III devices on the basis of substantial equivalence to already marketed devices and require instead that all new Class III devices be subject to a

premarket approval review. To implement this change, section 513(f)(1)(A)(i) of the act could be amended to read: "(A) the device—(i) is within a type of device (I) which was introduced or delivered for introduction into interstate commerce for commercial distribution before such date and which has been classified in Class I or II, or (II) which was not so introduced or delivered before such date and has been classified in Class I or II." Furthermore, section 515(c)(1) could be

amended by substituting the word "shall" for "may."

Status: Action not yet initiated.

Congress could, if it decided that a review of all preenactment devices is not needed, amend the act to read: "(b)(1) In the case of a Class III device which—(A) was introduced or delivered for introduction into interstate commerce for commercial distribution before the date of enactment of this section; or (B) is (i) of a type so introduced or delivered, and

(ii) is substantially equivalent to another device within that type, the Secretary shall by regulation, promulgated in accordance with this subsection, require that such device have an approval under this section of an application for premarket approval, when in the opinion of the Secretary, such premarket approval is necessary to ensure safety and effectiveness."

Status: Action not yet initiated.

Prevention and Control of Health Problems

HHS' Implementation of Superfund Health-Related Responsibilities

HRD-84-62, 09/28/84

Background

Pursuant to a congressional request, GAO determined the extent to which the Department of Health and Human Services (HHS) has been carrying out its responsibilities under the Superfund program. HHS responsibilities under Superfund include: (1) information collection, analysis, and management; (2) provision of medical services including care, testing, and research; and (3) development of standards to protect hazardous waste workers.

Findings

GAO found that HHS: (1) is developing plans to establish three required registries of hazardous-substance-related diseases, but has not developed a registry of persons exposed to toxic substances; (2) is planning to upgrade its inventory of information on the health effects of hazardous substances, but has not because of

funding decreases; (3) has contracted for the development of a complete registry of areas closed due to contamination by toxic substances; (4) has conducted some biological testing at emergency sites; (5) has several studies in progress regarding the health effects of hazardous substances, but had only completed one such study since Superfund's implementation; and (6) has experienced delays in the establishment of safety standards for hazardous waste workers. In addition, GAO found that HHS has made limited progress with Superfund implementation because of: (1) funding delays and reductions by the Environmental Protection Agency (EPA), which coordinates the Superfund budget; and (2) staffing limitations within HHS.

Open Recommendations to Congress

As Congress deliberates the future of Superfund, particularly the health-related

responsibilities of HHS, it may wish to consider the workability of the existing arrangement whereby EPA controls HHS funding levels and whether additional staff positions should be authorized for HHS activities to avert past situations were HHS had inadequate funds or staff to carry out its plans.

Status: Action not yet initiated.

If Congress considers the HHS interpretations of its role under the act to be inconsistent with congressional intent, it may wish to: (1) clarify the purpose and intent of the national exposure and disease registries and the types of information to be included; (2) clarify the extent to which medical care is to be provided; and (3) define such terms as exposed individuals and public health emergencies.

Status: Action not yet initiated.

Impoundment Control Act of 1974

Federal Budget Concepts and Procedures Can Be Further Strengthened

PAD-81-36, 03/03/81

Background

Although the basic institutional and conceptual budget framework laid out in 1967 and 1974 is serving the nation well, several recent developments have placed strains on the capacity of existing budget concepts and procedures to serve the budget information and control needs of Congress, the executive branch, and the public. Legislation has been enacted removing important federal programs from the budget, resulting in incomplete budget coverage and totals that do not reflect the true level of federal activities. GAO believes that it is essential to recognize the extent of the erosion which has taken place and to begin taking action to overcome the resulting inadequacies in the process. In the opinion of GAO, the government's budgeting system must be improved to deal adequately with the serious economic conditions facing the nation in this decade.

Findings

in the budget process: (1) to place most off-budget federal activities back onto the budget, early legislative action is needed; (2) to better control short- and long-term budget levels, a wide range of management, financing, and legislative actions are needed; (3) to strengthen program and policy level accountability, steps are needed to improve the budget's categories and related information; (4) to streamline the process in order to reduce paperwork and superficial reviews and increase the time for careful analyses and informed debate, changes are needed in scheduling and reporting requirements; and (5) to increase the reliability, consistency, and comparability of budget figures, action is required on several measurement concepts and practices.

Open Recommendations to Congress

Congress should exercise leadership in bringing about certain other budget

reforms concerning matters that have been studied extensively, but which require congressional leadership for bringing about the changes.

Status: Action in process.

Congress should act early on legislation to effect the budget reform changes identified in this report and in appendix I as the changes on which Congress should take early legislative action.

Status: Action in process.

Congress should encourage further analyses on budget system problems that involve complex interrelationships and trade-offs, and that have not been extensively studied before. Congress should also take steps to establish a study group or commission comprised of high elected and appointed officials, and other senior experts, to conduct such further research.

Status: Action in process.

Income Security

Federal Employee Retirement and Disability Federal Employees' Compensation Act: Benefit Adjustments Needed To Encourage Reemployment and Reduce Costs

HRD-81-19, 03/09/81

Background

The increasing number of long-term disabled beneficiaries under the Federal Employees' Compensation Act, together with increased benefits and changes in economic conditions, have caused program costs to increase sharply. A review was undertaken to determine: (1) whether benefits under the Act are adequate and equitable compensation for wages lost by Federal employees because of their on-the-job injuries, while providing an economic incentive for them to be rehabilitated and return to work; and (2) the kinds of claimants being compensated for long-term disabilities and their chances and incentives for returning to work.

Findings

The high compensation structure under the Act provides little financial incentive for injured employees to return to work as originally intended by Congress. In

some instances, benefits are higher than preinjury take-home pay. One cause of the high level of Federal workers' compensation benefits is the rate at which benefits are paid; 66.7 percent of gross salary for beneficiaries without dependents and 75 percent for those with one or more dependents. Since many long-term disabled beneficiaries are close to or beyond the average age when most Federal employees retire and have extremely limited employment possibilities, they are, in effect, retired. The Department of Labor has drafted proposed legislation which would: (1) subject Federal workers' compensation benefits to Federal income tax; (2) eliminate increased benefits for dependents; and (3) provide for the transfer of beneficiaries to the Civil Service retirement program.

Open Recommendations to Congress

Congress should integrate the federal workers' compensation and federal retire-

ment programs to provide for the transfer of compensation beneficiaries to the retirement program within 3 years of the time the employee would be eligible to retire. This would help ensure that the act's objectives are accomplished and better define the roles and responsibilities of these programs.

Status: Action not yet initiated.

Congress should make federal workers' compensation benefits subject to federal income taxes and reconsider at what level federal workers' compensation benefits should be set (probably near the original 66-2/3 percent level) to lessen inequities among beneficiaries and to reestablish the original congressional intent of providing economic incentives to return to work. At whatever level decided upon, Congress should incorporate a single percentage, as this will eliminate the increased benefits for dependents.

Status: Action not yet initiated.

Federal Employee Retirement and Disability Allegations Related to the Processing of Injured Employees' Hearing Loss Claims

HRD-82-102, 08/31/82

Background

Pursuant to a congressional request, GAO reviewed charges of improprieties associated with the activities of the Department of Labor's Hearing Loss Task Force. The task force was established in 1976 to process a backlog of hearing loss claims, and it adjudicated more than 19,000 claims during the 5.5 years of its operation.

Findings

Although Labor hired three audiologists for the task force, it also contracted with outside audiologists and physicians to reduce the claims backlog of hearing loss cases. Most of the charges of improprieties related to the use of outside audiologists, physicians, and other hearing specialists to whom Labor referred claimants for hearing tests. The review showed that Labor: (1) made about

\$650 in duplicate payments to outside audiologists and physicians; (2) incurred unnecessary costs on about 320 claims when it paid for two reviews; (3) took action to prevent one hearing specialist from routinely ordering claimants to undergo unnecessary hearing tests; and (4) appropriately restricted a staff audiologist from qualifying some hearing loss medical opinions. GAO also found that: (1) fees paid to hearing specialists who tested claimants for hear-

ing loss varied considerably between geographic regions and sometimes appeared to be excessive; (2) costs were lower when claims were reviewed by staff audiologists than when they were reviewed by outside audiologists; (3) the use of outside audiologists seemed to be justified; (4) outside audiologists appeared to be qualified to review hearing

loss claims; (5) compensation awards to claimants with a hearing loss also appeared justified; and (6) claims examiners were told not to revise staff audiologists opinions.

Open Recommendations to Agencies

The Secretary of Labor should ensure that the Office of Workers' Compensation

Programs (OWCP) develops schedules of reasonable fees for medical services, which includes fees for hearing tests as planned.

Status: Action in process.

**Federal Employee Retirement and Disability
Concerns About Controlling Union Employees' Benefit Funds
by the Carpenters Collection Agency, Youngstown, OH**

HRD-83-8, 11/12/82

Background

GAO was asked to examine: (1) the legality and functions of the Carpenters Central Collection and Administrative Agency, a nonprofit Ohio corporation that collects fringe benefit contributions from building trade employees; and (2) the timeliness and effectiveness of the Department of Labor's investigation and reporting of the Collection Agency's activities.

Findings

GAO found that Labor did not take aggressive action to require Health and Welfare Fund trustees to correct Employee Retirement Income Security Act (ERISA) violations identified in its investigations of the Collection Agency's activities. As

a consequence, the Collection Agency has continued to control and use union employee fringe benefit funds in violation of ERISA provisions that are designed to prevent such abuses. The Collection Agency collects and controls union membership fringe benefit payments by employers which may violate the Taft-Hartley Act, because it does not meet the statutory requirements of a Taft-Hartley trust; specifically, GAO is not aware of any written agreement between the Collection Agency and employers. The Collection Agency's trustees represent only the employees and, therefore, employers and employees are not equally represented in the administration of the Collection Agency's funds. In addition, the agreements between the Collection Agency and the employee benefit plans do not ensure that employee payments will be

used for the sole and exclusive benefit of employees.

Open Recommendations to Agencies

If the Solicitor's Office determines that the Collection Agency is not a labor organization under the Labor-Management Retirement Disclosure Act (LMRDA) and the Collection Agency cannot be required to report through the administrative process, the Secretary of Labor should propose to Congress that the statutory definition of a labor organization be changed to include such entities as the Collection Agency.

Status: Action in process.

**Federal Employee Retirement and Disability
Office of Workers' Compensation Programs Needs To Improve
Procedures To Help Reduce Payment Errors and Identify Dual
Payments**

HRD-84-63, 05/21/84

Background

GAO completed a survey of payment and collection activities administered by the Office of Workers' Compensation Programs (OWCP).

Findings

GAO found that incorrect payments were made in about 20 percent of the payment transactions reviewed, and about 5 percent of the benefits paid during the

test period were incorrect. Most errors occurred because claims examiners and other personnel did not process, incorrectly processed, or failed to follow up on data in case files. More than half of the transactions which involved er-

rors had been reviewed by supervisors who did not detect the errors. In addition, local quality control units were not required to, and generally did not, review the accuracy of the payments. GAO found that these problems were not identified by OWCP because its quality control procedures were not adequate. In addition, some beneficiaries were overpaid because they improperly received Civil Service retirement benefits at the

same time they were receiving workers' compensation benefits. These dual payment errors could have been avoided by annually questioning beneficiaries on retirement benefits received and comparing its benefit roll to that of the Office of Personnel Management (OPM). GAO also found that claims examiners had not followed debt collection procedures for almost two-thirds of the accounts receivable cases tested.

Open Recommendations to Agencies

The Deputy Under Secretary for Employment Standards should coordinate with OPM in conducting periodic comparisons of benefit rolls to identify Federal Employees' Compensation Act beneficiaries who are receiving prohibited dual benefits.

Status: Action in process. Estimated completion date: 03/86

General Retirement and Disability Insurance Implementing GAO's Recommendations on the Social Security Administration's Programs Could Save Billions

HRD-81-37, 12/31/80

Background

Income security programs account for over one-third of the federal budget. The Social Security Administration (SSA) administers some of the largest income security programs, including Old Age, Survivors, and Disability Insurance, Supplemental Security Income (SSI), and Aid to Families with Dependent Children (AFDC). GAO has issued numerous reports recommending changes in SSA income security programs. Therefore, GAO undertook a review of the income security programs managed by SSA to determine

what actions have been taken on previous recommendations and what remains to be implemented.

Findings

In its review, GAO found that fully implementing its recommendations would save \$1.3 billion in fiscal year 1982 and about \$4.5 billion in fiscal years 1983 to 1985. There would be similar savings in later years. The recommendations that would produce the most substantial savings would affect the Old Age, Survivors, and Disability Insurance Trust

Fund and would require changes to the Social Security Act.

Open Recommendations to Agencies

The Secretary of Health and Human Services should monitor SSA efforts to determine from other existing social security records the social security numbers for those dependent children missing their numbers, especially students, and record them in the payment records.

Status: Action in process. Estimated completion date: 03/86

General Retirement and Disability Insurance Social Security's Field Office Management Can Be Improved and Millions Can Be Saved Annually Through Increased Productivity

HRD-82-47, 03/19/82

Background

GAO reviewed selected Social Security Administration (SSA) field office operations.

Findings

GAO found that SSA can save millions of dollars annually by improving the management and productivity of its field offices. Gains can be achieved by: (1) establishing field office productivity goals and increasing management focus on potential productivity gains; (2) improving field

office management information systems to improve the management and monitoring of goals; (3) improving headquarters communications to field offices, including improving the design and control of forms used by field offices; and (4) increasing automation of field office clerical tasks, program eligibility decisions,

and benefit computations. SSA measures three dimensions of field office work: processing time, quality, and productivity. Some of the improvements in processing time and quality are attributable to improved computer support and new techniques. Management interest in productivity would achieve improvements in that area. Field office personnel need simple and clearly written operating instructions. GAO tested the readability of several instructions by applying a fog index which approximates the number of years of education needed to read and understand SSA instructions. To understand the material required at least 15 years of education. However, GAO believes that the continuing problems that SSA has with instructions demonstrates a need for more field testing of and increased controls over the instructions. The lack of data and design standards for SSA

forms result in inconsistencies between forms, which hamper productivity and lead to errors.

Open Recommendations to Agencies

The Commissioner of Social Security should establish productivity goals for field operations along with accurate and reliable systems to monitor them.

Status: Action in process.

The Commissioner of Social Security should develop and implement an automated field office workload control and management information system for managing the workload and appraising individual employee performance.

Status: Action in process. Estimated completion date: 10/86

The Commissioner of Social Security should establish and enforce standards for common data. Handling common data in a consistent manner may reduce operational complexity, the number of forms currently in use, and the potential for errors.

Status: Action in process. Estimated completion date: 09/86

The Commissioner of Social Security should aggressively pursue opportunities to improve field office productivity through increased automation of field office tasks, and achievement of these opportunities should be an integral part of any SSA plan for resolving computer system problems.

Status: Action in process. Estimated completion date: 08/86

General Retirement and Disability Insurance Discontinuing Social Security's Currently Insured Benefit Provision Would Save Millions and Eliminate Inequities

HRD-82-51, 04/23/82

Background

GAO reviewed the Social Security Administration's (SSA) eligibility insurance provisions, known as the currently insured provision.

Findings

The SSA currently insured benefit eligibility insurance provision no longer has relevance. Discontinuance of the provision could save SSA trust funds about \$180 million through 1990 and will not affect survivors now receiving benefits. Further, discontinuance will end some inequities to survivors of fully insured workers and to some survivors of workers who do not qualify for benefits.

Open Recommendations to Congress

Congress should amend the Social Security Act to eliminate the currently insured provision. Suggested language to implement this recommendation includes: these amendments shall be effective in determining the insured status of individuals who die after the effective date to be determined.

Status: Action not yet initiated.

Congress should amend the Social Security Act to eliminate the currently insured provision. Suggested language to implement this recommendation includes:

Title II of the Social Security Act is amended by striking out the words "or currently" wherever they may appear in connection with the status of an individual insured under this title.

Status: Action not yet initiated.

Congress should amend the Social Security Act to eliminate the currently insured provision. Suggested language to implement this recommendation includes: section 214(b) of the Social Security Act is repealed.

Status: Action not yet initiated.

General Retirement and Disability Insurance Prisoners Receiving Social Security and Other Federal Retirement, Disability, and Education Benefits

HRD-82-43, 07/22/82

Background

Pursuant to a congressional request, GAO estimated the number of incarcerated felons who are receiving social security and other cash benefits from various federal programs. Initial GAO estimates on the number of prisoner beneficiaries receiving benefits from Social Security Administration (SSA) and Veterans Administration (VA) programs resulted in Congress' enacting legislation in 1980 to exclude certain of these benefits to prisoners.

Findings

GAO estimated that before the 1980 amendments: (1) about 1.4 percent of the incarcerated felons were receiving

social security disability benefits of approximately \$17 million a year; (2) about 1 percent were receiving VA disability compensation of approximately \$8 million a year; and (3) about 1.3 percent were receiving VA education benefits of approximately \$14 million a year. Prisoners were also receiving cash benefits from other similar federal programs not addressed by the amendments, including 0.4 percent who were receiving social security retirement or survivor benefits of approximately \$4 million a year. Other prisoners were receiving cash benefits from the federal needs-based programs of Supplemental Security Income and veterans pensions. SSA and VA will not be able to identify prisoner beneficiaries completely until accurate social security numbers are available for all prisoners. States varied widely in the complete-

ness and accuracy of this information and could improve their documentation in coordination with the SSA validation process. GAO also estimated that about 4 percent of the prisoners were receiving postsecondary education funded through Pell Grants. The amounts varied but, because of tuition waivers, some grants were higher than the schools fees actually charged to the prisoners.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should use the prisoner identification information supplied by SSA to better identify prisoner beneficiaries of VA programs.

Status: Action in process.

General Retirement and Disability Insurance Labor Inaccurately Paid Black Lung Benefits—Some Corrective Actions Taken but More Are Needed

HRD-83-46, 05/13/83

Background

In response to a congressional request, GAO reviewed the black lung workers' compensation and medical expense payment systems administered by the Department of Labor's Office of Workers' Compensation Programs (OWCP).

Findings

GAO estimated that, through 1982, Labor had incorrectly paid 26 percent of the beneficiaries in the GAO sample, resulting in overpayments and underpayments totaling \$65 million. GAO also estimated that an amount equaling \$24 million of these errors had been corrected by the time that GAO initiated its case

file review. In addition, Labor also identified other overpayments which totaled about \$5 million. Beneficiaries were inappropriately receiving more than one black lung benefit from Labor, the Social Security Administration, or from a state workers' compensation program. According to the responsible officials, many payment errors were caused by the workloads created by amendments to the original black lung legislation. GAO identified several problem areas affecting quality control and recordkeeping which contributed to the payment errors. Labor has recognized many of these problems and has initiated actions to reduce future errors. GAO also found that problems in medical payments identified during an

inspector general's review still exist and that Labor has not used fee schedules to ensure that medical payments are reasonable.

Open Recommendations to Agencies

The Secretary of Labor should monitor the development and implementation of the OWCP fee schedules to ensure that future black lung-related treatment costs are reasonable and that the Coal Mine Workers' Compensation Division appropriately documents payments which exceed these schedules.

Status: Action in process.

General Retirement and Disability Insurance

Social Security Administration Needs To Protect Against Possible Conflicts of Interest in Its Disability Programs

HRD-83-65, 06/10/83

Background

In response to a congressional request, GAO conducted a survey of the consultative examination process used by the Social Security Administration (SSA) to make disability benefit eligibility determinations.

Findings

GAO identified a loophole in SSA policies whereby physicians who are working for various state disability determination services (DDS) and under contract to SSA are prohibited from performing consultative examinations but are permitted to have familial or financial interests in firms or organizations that do perform these

examinations. SSA policy pertaining to physician independence states that all implications of possible conflicts of interest must be avoided. GAO believes that this policy should be strengthened and enforced. As a result of the current policy, a situation existed in the SSA Chicago regional office where the Chief Regional Medical Advisor and one other medical consultant were associated with a firm which received almost \$2 million in 1982 for performing consultative examinations. While these arrangements were approved in advance by SSA and did not violate government standards of ethics, they did create a conflict of interest. Both medical consultants recently terminated their contracts with SSA.

Open Recommendations to Agencies

The Secretary of Health and Human Services should require that the Commissioner of Social Security revise SSA policies regarding physician independence or consultative examinations to prohibit all SSA and DDS physicians, whether under contract or employees, from having familial or financial interests in firms or organizations doing consultative examinations. Contracts with physicians should be modified to include this prohibition.

Status: Action in process.

General Retirement and Disability Insurance

Better Case File Monitoring of the Workers' Compensation Offset Provision by the Social Security Administration Could Save Millions

HRD-83-90, 09/30/83

Background

GAO reviewed the losses that the Social Security Disability Insurance (DI) trust fund incurs each year because DI payments to disabled workers are not being reduced as required by the workers' compensation offset provision of the Social Security Act. The DI trust fund is the nation's primary source of income replacement for disabled workers. Many DI recipients are also entitled to federal disability or workers' compensation benefits. These benefits can overlap causing disabled workers to receive more in disability benefits than they were earning before they became disabled.

Findings

Although the offset provision saved the Social Security Administration (SSA) \$168 million in fiscal year 1981, GAO estimates that claims that were not offset cost the trust fund about \$43 million. GAO believes that many claims were not offset because SSA had no indication that the DI claimants had received other benefits or had claims pending. However, in other cases, SSA could have prevented the loss by acting on evidence in the case files. In applying the offset provision, SSA relies heavily on claimants' voluntary reports of compensation awards or changes in award amounts. SSA has acknowledged that this reliance has contributed sig-

nificantly to overpayments and it has begun several activities designed to investigate claimants' failure to report benefits payments. SSA is making inquiries into data exchanges with state agencies, but it reports that serious obstacles remain to be overcome before that objective can be achieved. SSA plans to select a state to participate in a pilot program and to evaluate the results of the program to determine the potential of file-matching programs. GAO stated that SSA could reduce or eliminate lost offsets for federal employee cases by matching its files with the Department of Labor's files. Since the beginning of the GAO review, SSA has initiated several actions to reduce the number of offsets not imposed, and

the SSA Office of Assessment is planning to make several recommendations to improve the processing of offset cases.

Secretary of Labor to establish regular matches between the DI file and Labor's workers' compensation files.

Secretary of Labor the feasibility of including additional identifiers in Labor's computer files.

Open Recommendations to Agencies

Status: Action in process.

The Secretary of Health and Human Services (HHS) should work with the

The Secretary of HHS, to facilitate the matches, should explore with the

Status: Action in process.

General Retirement and Disability Insurance Legislative Changes Needed To Financially Strengthen Single Employer Pension Plan Insurance Program

HRD-84-5, 11/14/83

Background

In connection with the Pension Benefit Guaranty Corporation's (PBGC) self-financing insurance program to protect the benefits of private pension plan participants, GAO examined information on pension plans which were terminated as of September 30, 1981.

Findings

Since its inception, the PBGC insurance program has been operating at an increasing deficit. The deficit has risen because net claims for benefits owed by terminating plans accumulated in greater amounts than could be financed by premiums. The liquidity of the insurance program has not been jeopardized thus far; however, if the premium rate is not raised the program's ability to pay guaranteed benefits in the long term could be threatened. GAO believes that a proposed premium rate increase is reasonable and necessary to reduce the deficit.

Open Recommendations to Congress

Congress may wish to amend the Employee Retirement Income Security Act (ERISA) to provide for more timely adjustment of premium rates for the single employer pension plan insurance program by: (1) requiring the Executive Director of PBGC to provide information in its annual report to Congress on the adequacy of the existing premium rate and recommend changes to the premium rate when warranted; and (2) provide an automatic annual adjustment to the premium rate using the PBGC May 1982 premium rate methodology.

Status: Action in process.

Congress may wish to consider minimizing premium increases needed to fund the insurance program's increasing deficit by amending ERISA to: (1) reduce the period over which sponsors of pension plans can amortize unfunded actuarial liabilities; and (2) extend the 5-year phase-in period for providing full insurance coverage of past service benefits and eliminate coverage during the phase-in period.

Status: Action not yet initiated.

Congress could amend ERISA to make all unpaid waiver amounts due upon plan termination and to either exclude coverage of benefits accrued during the plan year for which the waiver was granted or authorize PBGC to place conditions on minimum funding waivers granted by the Internal Revenue Service (IRS). Congress could also amend ERISA to authorize PBGC to place conditions on benefit increases granted by IRS.

Status: Action in process.

Congress should amend ERISA to provide that sponsors that remain in business and terminate pension plans continue to be liable for payment of the plans' asset insufficiencies. In addition, Congress should authorize PBGC to: (1) claim, as an unsecured creditor in lieu of a claim limited to a portion of the sponsor's net worth, the full amount of plan asset insufficiency from sponsors discontinuing businesses that terminate pension plans; and (2) hold, for a limited time, all prior contributing sponsors secondarily liable for plan asset insufficiencies they create when the plan terminates within a specified time after its transfer to a new sponsor.

Status: Action in process.

General Retirement and Disability Insurance

Improved Processes Needed To Insure Timely Benefit Payments to Participants of Single Employer Pension Plans

HRD-84-58, 05/31/84

Background

In response to a congressional request, GAO reviewed the effectiveness of the Pension Benefit Guaranty Corporation (PBGC) processes for ensuring that participants in private pension plans receive guaranteed benefits when plans terminate.

Findings

GAO evaluated the PBGC processing of numerous insufficient pension plans to: (1) determine why eligible participants were not receiving benefit payments; (2) assess the PBGC efforts to adjust benefit payments to guaranteed levels; and (3) assess the effectiveness of these processes for providing timely benefit distributions. In addition, GAO analyzed PBGC efforts to locate participants who were not receiving benefits because they could not be located from plan records. GAO found that the processing of terminated plans can be strengthened to provide for more timely restoration of

monthly benefit payments and compensation for missed benefit payments. In addition, GAO reviewed a random sample of sufficient pension plan terminations which showed that asset distributions were not timely. Further, GAO found that PBGC processing of sufficient plans can be strengthened and streamlined. Finally, GAO determined that opportunities are available to locate missing individuals entitled to benefits.

Open Recommendations to Agencies

Because PBGC may be precluded from restoring benefits in plans that may be subject to lengthy court action, the Executive Director of PBGC should assess experience in dealing with these cases and, if warranted, seek legislative authority that would permit PBGC to appoint a receiver to assume control of plans where participants' benefits are jeopardized.

Status: Action in process.

To augment new PBGC procedures for collection and review of sufficient pension plan data, the Executive Director of PBGC should provide guidelines for PBGC officials to periodically test enrolled actuary certifications to ensure that they are accurate and comply with PBGC regulatory requirements.

Status: Action in process. Estimated completion date: 06/86

The Executive Director of PBGC should require consistent application of procedures for confirming that participants of sampled plans are receiving payment of benefits approved by PBGC and revise confirmation procedures to require that key data, such as age, years of employment, and salary, also be confirmed with participants.

Status: Action in process. Estimated completion date: 12/85

General Retirement and Disability Insurance

The 1980 Multiemployer Pension Plan Amendments Act: An Assessment of Funding Requirement Changes

HRD-85-1, 02/27/85

Background

GAO reported on the effect of the Multiemployer Pension Plan Amendments Act of 1980 on employers, participants, and others, and it assessed the effect of the act's changes in multiemployer plan funding requirements.

Findings

GAO found that 14 of 149 plans it examined were financially distressed and

could pose a risk to the government's insurance program amounting to billions of dollars. The act's provisions for improving the financial condition of such distressed plans, however, may not be adequate. GAO noted that, although the act's reorganization provisions are intended to reduce the risk that financially distressed plans pose to the entire insurance program, the provisions are not likely to identify the distressed plans or to require most of them to take action to improve their financial condition.

Open Recommendations to Congress

Congress may wish to amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code to require that the vested benefits charge under the reorganization provisions be calculated using a 15- rather than 25-year period for amortizing the unfunded vested benefits of plan participants that have not retired.

Status: Action not yet initiated.

General Retirement and Disability Insurance

Effects of Liabilities Assessed Employers Withdrawing From Multiemployer Pension Plans

HRD-85-16, 03/14/85

Background

GAO reviewed the implementation and effects of the withdrawal liability provisions of the Multiemployer Pension Plan Amendments Act of 1980 (MPPAA) on those multiemployer plans not covered by the special rules or exemptions that apply mainly to construction and entertainment industry plans.

Findings

The Pension Benefit Guaranty Corporation (PBGC) administers an insurance program for private pension plans and guarantees the payment of certain benefits to the participants of the plans if a plan terminates without sufficient assets to provide vested benefits, called withdrawal liability. Prior to MPPAA, employers could withdraw from a plan without any continuing obligation; now they are required to pay an allotted portion to the plan's unfunded vested benefits. GAO found that MPPAA eliminated or reduced the effects

of withdrawal liability by providing limits on the collection of liabilities from individual employers. GAO also found that the determination of appropriate interest rates was complex because the assumptions should reflect the long-term expectation of rates of return on the investment of plan assets held by the plan. GAO believes that there is a need to monitor determinations of withdrawal liability by multiemployer plans and to consider the issuance of regulations on actuarial assumptions. MPPAA set forth four methods used in allocating a plan's unfunded benefits to withdrawing employers and, depending on the method selected, the amounts allocated may differ between new and current employers or between growing and declining employers. GAO believes that MPPAA-imposed liability increases the pension security of participants in poorly funded plans and provides protection against the insolvency of the PBGC insurance fund by reducing the contingent liability against the

program resulting from poorly funded plans.

Open Recommendations to Congress

To better protect the financial condition of plans against declines in contributions by major employers, Congress may wish to consider amending MPPAA to revise the partial withdrawal liability rules to allow all plans to adopt an option similar to the 35-percent rule now available to retail food industry plans.

Status: Action not yet initiated.

Because the application of withdrawal liability in fully funded plans does not seem to have been contemplated under MPPAA, Congress may wish to consider amending MPPAA to exempt employers in fully funded plans from withdrawal liability.

Status: Action not yet initiated.

General Retirement and Disability Insurance

Need To Strengthen Social Security's Beneficiary Reporting Requirements and Enforcement Authority

HRD-85-12, 03/22/85

Background

GAO reported on federal retirement overpayments to determine what portion of overpayments are caused by beneficiaries and how effectively the Social Security Administration (SSA) utilizes its sanctions to prevent and minimize improper reporting.

Findings

GAO found that, as of September 1984, retired and disabled beneficiaries and their dependents or survivors owed SSA about \$2 billion, which represented about 1.4 million overpayments. About 60 percent of such overpayments, constituting two-thirds of all overpaid dollars, were caused by beneficiaries who misreported, reported late, or did not report events that would have reduced or eliminated

benefits. Although most overpayments were refunded to the government, a small portion of funds was retained because SSA does not often use existing penalty authority or the authority does not extend to all incidents that give rise to beneficiary-caused overpayments. GAO believes that, although some overpayments cannot be avoided, most could be avoided or reduced if compliance procedures were better enforced.

Open Recommendations to Congress

Congress should amend title II of the Social Security Act to: (1) require that beneficiaries who expect to earn more than the exempt amount submit an earnings estimate to SSA; (2) provide authority for SSA to assess penalties in cases where beneficiaries do not make reports within the prescribed time or fail to furnish an earnings estimate; (3) require penalties to be collected from persons no longer receiving benefits; (4) make the penalty

structure more equitable by relating it to the amount of the overpayment and, if feasible, the lateness of the report; and (5) provide for the Secretary of Health and Human Services to waive penalty charges.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Health and Human Services should direct the Commissioner of

Social Security to improve the management of the current penalty process. Specifically, SSA should: (1) ensure that repayment history and other data needed to make the decision to assess a penalty are available at the time the initial decision is made and that penalty decisions are documented; and (2) review all penalty decisions before they become finalized to identify and correct inconsistent application of the penalty procedures.

Status: Action not yet initiated.

General Retirement and Disability Insurance Improving the Quality of Social Security Administration Notices

HRD-85-96, 08/29/85

Background

GAO reviewed the Social Security Administration's (SSA) Clear Notices Project to determine whether: (1) improved notices are likely to result from the effort; and (2) more could be done to help produce clear notices.

Findings

GAO found that 5 of the 12 initiatives of the project, which was established in April 1984 and is scheduled to end September 30, 1986, have been completed. The completed initiatives include: (1) the standardization of notice content; (2)

the development of an agencywide format; and (3) the cataloging of notice language. SSA is still revising existing notices to meet notice standards and is testing proposed notice language with notice recipients. However, the revision of initial claims notices for the retirement, survivors, and disability insurance programs will involve the implementation of an automated claims process in field offices which is not expected to be completed until 1988. GAO found that the changes in language and format which the project has produced to date have improved the clarity of notices; however, SSA does not periodically evaluate the clarity of its notices or solicit feedback from its clients.

GAO believes that: (1) SSA management needs client feedback on the clarity of the notices; and (2) field testing proposed notice language would be prudent.

Open Recommendations to Agencies

The Acting Commissioner of Social Security should develop and implement a strategy to obtain periodic feedback from SSA clients on the clarity of SSA notices and use such feedback to systematically evaluate SSA progress in improving and maintaining notice clarity.

Status: Action in process.

General Retirement and Disability Insurance

Improving Operating and Staffing Practices Can Increase Productivity and Reduce Costs in SSA's Atlanta Region

GGD-85-85, 09/11/85

Background

As part of a series of reviews of productivity in government claims processing, GAO reviewed field office productivity in the Social Security Administration's (SSA) Atlanta Region.

Findings

GAO found that: (1) while the SSA Atlanta Region ranked at the top in productivity among SSA regions, productivity within the region varies widely because of inconsistent staffing and operating practices among field offices; (2) regional and area management staff do not allocate staff among field offices based on fluctuating workloads; (3) at a number of field offices, staffing levels remained unchanged over a period of several years despite decreasing workloads; (4) at some field offices, staffing was supplemented for reasons not related to workloads; and (5) SSA unjustifiably allows area directors to adjust staffing levels based on their perceptions of local conditions. GAO also found that: (1) field offices use a wide variety of processing practices, organization structures, and workload control practices despite similarity in workloads

and services offered; (2) while some offices incorporate additional work steps and quality reviews into their processing procedures, these offices do not produce significantly better work than other offices; (3) those offices with lower productivity averaged 7 percent less staff devoted to positions directly related to claims processing; and (4) improved training for area and field office managers about efficient processing practices could stimulate significant productivity improvements in the region.

Open Recommendations to Agencies

The Commissioner of the SSA Atlanta Region should develop and implement a time-phased strategy to include designating responsibility at the regional level to ensure that productivity is improved.

Status: Action in process.

The Commissioner of the SSA Atlanta Region should require area directors to improve the regional staff allocation process by using the more productive offices as indicators of appropriate staff-to-workload ratios.

Status: Action in process.

The Commissioner of the SSA Atlanta Region should require area directors to establish procedures to identify the best operating practices used in the various field offices and disseminate information on the best operating practices to local field managers for their use where appropriate.

Status: Action in process.

The Commissioner of the SSA Atlanta Region should require area directors to provide field office managers with training in analytical tools which would enable them to improve operating practices.

Status: Action in process.

The Commissioner of the SSA Atlanta Region should hold area directors and field office managers accountable through their merit pay plans for improving field offices' operating practices and, as operating practices are improved, hold these managers accountable for staffing offices in accordance with their staff-to-workload ratios.

Status: Action in process.

Housing Assistance and Other Income Supplements

Federal Domestic Food Assistance Programs: A Time for Assessment and Change

CED-78-113, 06/13/78

Background

Thirteen major federal domestic programs, costing several billion dollars annually, provide food or food-

related assistance to needy Americans. The programs are administered by the Department of Agriculture (USDA); the Department of Health, Education, and Welfare (HEW); and the Community Services Administration (CSA).

Findings

These programs have helped many people obtain more adequate diets. However, the large and accelerating costs of

the programs, their piecemeal authorization and administration, and proposals for comprehensive welfare reform have created a need and opportunity to examine the programs' interrelationships and effectiveness. Multiple participation in the programs, which is sanctioned in legislation, has created a situation in which benefits often exceed amounts needed for thrifty food plan diets. Food stamp allotments ranged from 82 percent to 164 percent of the cost of such diets. Savings could be realized by making adjustments for different ages and sexes of household members. The extent of food benefit gaps and overlaps cannot be measured precisely because of inadequate data collection. Administrative problems result from varying eligibility criteria and procedures, lack of a uniform definition of needy, and inadequate program coordination. There is also a lack of adequate data to determine the proper level of benefits, interrelationships of the programs, and the nutritional effectiveness of the programs.

Open Recommendations to Congress

Congress should adopt a uniform definition of the word needy and establish consistent criteria for determining who is eligible for federal food assistance programs.

Status: Action not yet initiated.

Congress should approve an explicit national policy on the appropriate levels of food assistance to be provided to needy Americans by the federal government.

Status: Action not yet initiated.

Congress should authorize the Secretary of Agriculture to implement individualized food stamp allotments nationwide if USDA demonstration projects show the administrative feasibility of such allotments.

Status: Action not yet initiated.

Congress, on the basis of results of the executive branch's feasibility study, should eliminate the receipt of duplicative benefits, particularly between the food stamp and school lunch programs, by allowing consideration of benefits received from one federal food assistance program when determining eligibility and benefit levels for other federal food assistance programs.

Status: Action not yet initiated.

Congress, on the basis of results of the executive branch's feasibility study, should require a single state/local agency to be responsible for the application, certification, verification, referral, and monitoring aspects of designated federal food programs to help ensure, along with the authorization and implementation of consistent eligibility criteria and procedures, a more equitable and efficient delivery of federal food assistance to needy Americans.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should initiate on a priority basis periodic national surveys of low-income households to determine the types and amounts of cash and in-kind food benefits received and the precise extent of current overlaps and gaps, both in terms of program costs and nutrient intake, among the major federal programs involving food assistance, including Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI).

Target: Department of Agriculture

Status: Action in process.

Target: Department of Health and Human Services

Status: Action in process.

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should develop and implement ways to measure, in a more coordinated, timely manner, the nutritional status of the general U.S. population, especially the participants and nonparticipants in the major federal food assistance programs, including such traditionally high risk groups as the poor, the elderly, young children, and women of childbearing age, and use this data to estimate the nutritional effectiveness of the federal food assistance programs.

Target: Department of Agriculture

Status: Action in process.

Target: Department of Health and Human Services

Status: Action in process.

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should study the administrative feasibility of: (1) considering food benefits from child-feeding programs; (2) using food stamps to purchase free or reduced-price meals under the child-feeding programs; (3) adjusting thrifty food plan costs to reflect potential participation in the child-feeding programs; and (4) turning over the application, certification, verification, referral, and monitoring aspects of the child-feeding programs and WIC to local welfare offices which now also handle food stamp certification, verification, and monitoring. The results of this study should be reported to Congress together with a recommendation for such authorizing legislation as may be necessary.

Target: Department of Agriculture

Status: Action not yet initiated. USDA is examining this recommendation, especially in light of a similar recommendation. However, it does not plan to involve any other federal agencies in this endeavor.

Target: Department of Health and Human Services

Status: Action in process.

Housing Assistance and Other Income Supplements

The Special Supplemental Food Program for Women, Infants, and Children (WIC)—How Can It Work Better?

CED-79-55, 02/27/79

Background

A follow-on review of the Department of Agriculture's (USDA) Special Supplemental Food Program for Women, Infants, and Children (WIC) was conducted.

Findings

Several WIC programs did not provide needed health services as requested by Congress. Many of the programs were affected by the following: (1) required professional assessments of applicants' nutritional status were not being made in some locations; (2) states used different criteria for judging whether applicants were nutritional risks and eligible for the program and supplemental food packages seldom were tailored to participants' individual nutritional needs; (3) nutrition education and program evaluation have not received the priority and attention they deserve; and (4) program regulations contain provisions hindering effective evaluations.

Open Recommendations to Congress

Congress should revise authorizing WIC legislation to clearly require that participants receive needed health services where such services are available, accessible, and acceptable, with possible exceptions based on participants' religious beliefs.

Status: Action not yet initiated.

Congress should address the problem of whether benefits of the food supplement part of WIC alone warrant its expansion to areas where needed health services cannot be delivered.

Status: Action not yet initiated.

Congress should monitor USDA actions on the GAO recommendation that USDA work with the states and local agencies and with the Department of Health, Education, and Welfare (HEW) to provide needed services in those present and planned program areas where adequate health services are not available, accessible, and acceptable.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Agriculture should require that USDA evaluate and report on state monitoring of the content and overall effectiveness of nutritional education given to participants at the local level.

Status: Action in process.

The Secretary of Agriculture should preclude disincentives to food package tailoring by specifically prohibiting states from considering food costs in distributing administrative funds to local agencies.

Status: Action not yet initiated. FNS officials do not consider this recommendation to be of high priority.

The Secretary of Agriculture should make certain that USDA regional offices and its internal audit staff systematically evaluate and report on state management controls over: (1) the nature, extent, and frequency of the nutritional risk assessments of program participants, and (2) the basis for, and extent of, food package prescriptions made to enable individual participant's nutritional/health needs to be met.

Status: Action not yet initiated. FNS officials do not consider this recommendation to be of high priority.

The Secretary of Agriculture should work with HEW and recognized professional groups, such as the American College of Obstetricians and Gynecologists and the American Academy of Pediatrics, to develop uniform standards and criteria for determining what constitutes bona fide nutritional/health risks for the different classes of WIC program participants. Such criteria should be uniformly applied across the board to ensure equitable and consistent treatment of the program's target population.

Status: Action in process.

Housing Assistance and Other Income Supplements Need for HEW To Recover Federal Funds in Uncashed AFDC Checks

HRD-79-68, 04/05/79

Background

A review was completed of the requirements and practices for refunding or crediting the federal government's portion of checks that were issued to Aid to Families with Dependent Children (AFDC) recipients but never cashed. Federal AFDC expenditures in fiscal year 1977 amounted to over \$5 billion.

Findings

The return of federal AFDC funds for checks that were never cashed was generally left to the states' discretion. Although GAO did not determine why the checks were not cashed, information obtained on 11 of the 50 states showed that these states allowed AFDC checks

to be negotiated 30 days to 2 years after they were issued, at which time they were cancelled. In addition, once states acted to void the checks, there was no mechanism to ensure that the federal government received credit for its portion of these funds. The President's 1980 budget proposes a change in the procedure for transferring federal funds to the states for public assistance programs, including AFDC. Presently, states are authorized to draw federal funds on or before the day they pay their bills. For the AFDC program, this is generally when the states issue checks to recipients. Between the time the checks are issued and cashed by the recipients, many states invest the federal funds and earn interest. Under the proposal, states would be authorized

to draw federal funds only when a recipient actually cashes the check and it is presented to the state's commercial bank for payment. When adopted and implemented, the procedure would also eliminate the problem of the federal government not receiving credit for its share of funds in uncashed AFDC checks.

Open Recommendations to Agencies

The Secretary of HEW should take action to identify and recover the total amount of federal funds in uncashed AFDC checks that have not been refunded to the federal government.

Status: Action in process. Estimated completion date: 03/86

Housing Assistance and Other Income Supplements The Davis-Bacon Act Should Be Repealed

HRD-79-18, 04/27/79

Background

The Davis-Bacon Act requires that each contract for the construction, alteration, or repair of public buildings in excess of \$2,000 to which the United States is a party or shares the financing must state the minimum wages to be paid to various classes of laborers and mechanics. The minimum wages are those determined by the Secretary of Labor to be prevailing for laborers employed on projects of a similar character in the area in which the work is to be performed. The act was intended to discourage non-local contractors from successfully bidding on government projects by hiring cheap labor from outside the project area, thus disrupting the prevailing local wage structure. In 1977 about \$172.5 billion was

spent on new public and private construction projects, but only \$37.8 billion was for direct federal or federally assisted construction spent by state and local agencies and involved about 22 percent of the nation's 3.8 million construction workers. The remaining \$134.7 billion was for privately financed projects without the prevailing wage protection of the Davis-Bacon Act.

Findings

The significant changes in the nation's economic conditions and the economic character of the construction industry since 1931, plus the passage of other wage laws, make the Davis-Bacon Act unnecessary. After nearly 50 years of administering the Davis-Bacon Act, the Department of Labor has not developed an effective

system to plan, control, or manage the data collection, compilation, and wage determination functions. A review of the wage determination activities in five regions and headquarters showed continued inadequacies, problems, and obstacles in the attempt by Labor to develop and issue wage rates based on prevailing rates. The review of 30 federal or federally assisted projects, costing an estimated \$25.9 million, showed that the majority of the rates issued by Labor were higher than the prevailing rates in 12 of the localities and lower in the other 18. In the 18 projects where Labor's rates were lower than those prevailing locally, local contractors were generally awarded the contracts and paid workers the prevailing rates in the community. When Labor's rates were higher than

those prevailing locally, it was found that nonlocal contractors worked on most of the projects, indicating that the higher rates may have discouraged local contractors from bidding. In addition, the weekly payroll reporting requirement resulted in unnecessary contractor costs estimated at \$189.1 million for 1977.

Open Recommendations to Congress

Congress should repeal the Davis-Bacon Act and rescind the weekly payroll report-

ing requirement of the Copeland Anti-Kickback Act because of: (1) significant increased costs to the federal government; (2) the impact excessive wage determination rates have on inflating construction costs and disturbing local wage scales; and (3) the fact that contractors tend to pay prevailing rates, which is the intent of the act, when determinations are too low.

Status: Action not yet initiated.

Congress should also repeal the provisions in the 77 related statutes which involve federally assisted construction projects and which require that wages paid to contractor employees should not be less than those determined by the Secretary of Labor to be prevailing in the locality in accordance with or pursuant to the Davis-Bacon Act.

Status: Action not yet initiated.

Housing Assistance and Other Income Supplements VA Improved Pension Program: Some Persons Get More Than They Should and Others Less

HRD-80-61, 08/06/80

Background

Congress hoped that the law improving pensions for needy veterans, which went into effect January 1, 1979, would enable veterans and their survivors to receive benefits above the poverty level and help them avoid turning to welfare, such as the Supplemental Security Income (SSI) program.

Findings

Some couples who receive SSI and Veterans Administration (VA) pensions receive more in benefits from these two programs than other couples with similar or smaller incomes from other sources. The principal coordination of benefit information between VA and the Social Security Administration (SSA) occurs through automated data exchanges. Some changes are needed in this coordination to

improve the accuracy of benefit payments by VA and to eliminate the exchange of unnecessary records. GAO estimated that \$14.5 million of inaccurate pensions payments were made, principally in 1978. This consisted of: (1) \$9.6 million in overpayments because the veterans or their spouses failed to report to VA receipt of social security benefits and because VA did not use the benefit data provided by SSA in the January 1979 data exchange; (2) \$1.7 million in overpayments and \$.3 million in underpayments substantially because one of the matching characteristics SSA used was not on the VA records; (3) \$2 million in overpayments because veterans or their spouses did not accurately report receiving SSA black lung benefits; and (4) \$.9 million in underpayments because VA pensioners improperly reported their SSI benefits as social security benefits. VA is providing

SSA, in the quarterly data exchange, an estimated 5.1 million unneeded records because it did not use SSI indicators to limit the number of records provided. Additionally, VA is unnecessarily requesting SSA data for an estimated 618,700 known deceased veterans in the annual data exchange.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should establish a data exchange to verify federal black lung benefits and review other federal benefit programs to determine the need for, and feasibility of, obtaining benefit information from other agencies.

Status: Action in process.

Housing Assistance and Other Income Supplements Action Needed To Avert Future Overpayments to States for AFDC Foster Care

HRD-81-73, 04/20/81

Background

Until the Adoption Assistance and Child Welfare Act was enacted, the Department of Health and Human Services (HHS) matched payments available to the states under the the Aid to Families with Dependent Children program for foster home care of dependent children. The act established fiscal year (FY) 1978 as a base year for the computation of future allotments of foster care moneys. A GAO review showed certain unallowable practices regarding FY 1978 reimbursements which, if not given prompt attention, could continue to improperly increase future foster care allotments to some states.

Findings

GAO found that over \$12 million in private nonprofit agency foster family home administration costs, not eligible for federal sharing, were incurred by New York City and federally reimbursed. The states of New York and California were also reimbursed an undetermined amount for costs attributable to ineligible foster care enrollees. Since 1978, GAO has unsuccessfully attempted to have HHS take corrective action to recover amounts reimbursed to New York City for unallowable administrative costs. The longer HHS takes to correct the level of FY 1978 federal reimbursements, the larger the overpayments will be. Using FY 1978 as a basis for allotments to New York and California without adjusting for incorrect federal payments has resulted and will continue

to result in reimbursements higher than those authorized. If there is a dispute between any state and HHS as to expenditures for a base year, the base amount may only be changed in the FY after the one in which the dispute is resolved. The foster family home administrative services, in dispute in several New York City contracts with private nonprofit agencies, are normally provided by state social service agencies.

Open Recommendations to Agencies

The Secretary of HHS should recover overpayments made to New York City for unallowable administrative costs.

Status: Action in process. Estimated completion date: 12/85

Housing Assistance and Other Income Supplements HHS Moves To Improve Accuracy of AFDC Administrative Cost Allocation: Increased Oversight Needed

HRD-81-51, 05/18/81

Background

The Department of Health and Human Services (HHS) is responsible for ensuring that state cost-allocation plans, upon which federal financial participation in administrative costs for the Aid to Families with Dependent Children (AFDC) program are based, accurately reflect the federal reimbursable share of costs.

Findings

The principle oversight agencies of HHS are not adequately reviewing, analyzing, and questioning data in state cost-allocation plans either before or after

their approval. A GAO review of administrative costs in four states indicated that the federal government may be incurring unnecessary charges which, in two of these states, could amount to \$6.6 million annually. Overcharges are occurring because HHS has not provided its oversight agencies with adequate review guidance, a clear definition of their respective roles for reviewing cost-allocation plan implementation, and sufficient staff to accomplish their work effectively. Erroneous reimbursement claims have been a longstanding problem. HHS has not required a uniform method of accumulating and allocating states' costs and has approved some methods which cannot

ensure that administrative cost expenditures in a given program are as directly proportional to the administrative support received as possible. The varying methods of cost allocation also preclude HHS from making meaningful comparisons of administrative cost expenditures among states. HHS has not developed guidelines for distributing costs in welfare cost-allocation plans and does not require states to distribute administrative costs on any standardized basis. States are allowed considerable latitude in developing cost accumulation and allocation methodology. By developing a welfare cost allocation guide, some corrective action is underway.

Open Recommendations to Agencies

The Secretary of HHS should issue guidelines establishing a system of

uniform cost principles, procedures, and methodology for all welfare cost-allocation plans.

Status: Action in process. Estimated completion date: 09/86

**Housing Assistance and Other Income Supplements
Legislative and Administrative Changes To Improve
Verification of Welfare Recipients' Income Could Save Millions**

HRD-82-9, 01/14/82

Background

GAO was requested to review the manner in which income and asset information is used and verified by administering agencies to determine eligibility for federal assistance programs which provide benefits to needy individuals and families.

Findings

Underreporting of income and assets by recipients of benefits from needs-based programs, whether deliberate or otherwise, results in hundreds of millions of dollars in improper payments each year. Current verification requirements and practices are not adequate to prevent such payments. Verification requirements vary widely, but generally are vague or overly restrictive. Furthermore, some

federal laws and regulations preclude the use of information which, if available, would enhance the verification process.

Open Recommendations to Agencies

The Director of the Office of Management and Budget (OMB) should identify which of the 58 federally funded needs-based programs should use: (1) SSA wage, self-employment earnings, retirement income, and benefit data; (2) Office of Personnel Management (OPM) wage data; (3) state wage data; and (4) IRS information return data.

Status: Action in process.

The Director of OMB should direct that all federal departments and agencies responsible for the needs-based programs issue

regulations to require the use of the data with appropriate safeguards and that they establish mechanisms to monitor the use of the data.

Status: Action in process.

The Secretaries of Agriculture and HHS should require that, in administering the programs, federal, state, and local agencies use available federal and state wage data and SSA retirement income and benefit data provided by the beneficiary data exchange and the state data exchange.

Target: Department of Health and Human Services

Status: Action in process.

Target: Department of Agriculture

Status: Action in process.

**Housing Assistance and Other Income Supplements
Millions Could Be Saved by Improving Integrity of the Food
Stamp Program's Authorization-To-Participate System**

CED-82-34, 01/29/82

Background

GAO reviewed the Department of Agriculture's use of the Authorization-to-Participate (ATP) system, the Food Stamp Program's principal benefit-delivery method. The purpose of the review was to make a preliminary assessment of the Food and Nutrition Service's (FNS) efforts to ensure the integrity of the system which will deliver about \$8 billion of the

estimated \$10.6 billion of food stamp benefits in fiscal year 1982.

Findings

GAO found that the ATP system has serious weaknesses. While losses through the system have been reported to be about \$12 million annually, the inaccurate and incomplete reconciliation reports submitted by some food stamp agencies and the lack of reconciliation reports

by others indicate that actual losses are greater. As a result, FNS does not know the full extent of the losses. Moreover, it has opted to assume the fiscal liability of these losses when, in fact, some could have been prevented by food stamp agencies. FNS has issued regulations requiring the use of photo identification at all food stamp projects. The new regulations also limit ATP card replacements, but duplicate transactions may still occur. GAO found that not all food stamp agencies

that have serious ATP problems are required to use photo identification under the current criteria.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Acting Administrator of FNS to take specific measures to improve the ATP system's fiscal integrity, including: (1) determining those elements of existing ATP delivery systems which are most effective

in preventing program losses and direct that the more effective methodologies be used where appropriate; (2) verifying data on the reconciliation reports by reviewing food stamp agencies' ATP issuance and reconciliation systems and records, identifying through these reviews food stamp agencies that may be more likely to have recurring duplicate ATP transactions, and analyzing these weaker systems and requiring the food stamp agencies to correct flaws contributing to program losses; (3) requiring photo identification at all food stamp agencies experiencing

significant duplicate ATP transactions but not currently covered by the regulations; (4) including enforcing program regulations making states and local food stamp agencies liable for program losses that should have been prevented; and (5) including reevaluating the new ATP replacement regulations to determine if weaknesses in the regulations can be eliminated.

Status: Action in process. Estimated completion date: 03/86

Housing Assistance and Other Income Supplements Need for Greater Efforts To Recover Costs of Food Stamps Obtained Through Errors or Fraud

RCED-83-40, 02/04/83

Background

GAO conducted a review of the Food Stamp Program to see if improvements have been made in the identification and recovery of overissuances and the adjudication of cases involving alleged fraud since a 1977 report.

Findings

During fiscal years 1980 and 1981, the federal government lost about \$2 billion through state overissuances of food stamp benefits, and eligible households received about \$500 million less than they should have. The erroneous issuances resulted from administrative and recipient errors and fraud. Only about 1 cent of each overissued dollar was recovered. Using semiannual quality control results, the Food and Nutrition Service (FNS) can project the total amount of overissued and underissued benefits, but it has no reliable data on how many of these errors identify with specific households. Data from six states indicated that, compared with total estimated overissuances, relatively few specific cases have been identified. GAO stated that the use of computer matching to identify and ultimately recover specific overissuances holds considerable promise, and legislation implemented in recent years provides

needed financial incentives to identify more overissuance cases. Although states are required to establish claims against households identified as receiving overissuances, they have not always done so because collection was difficult; however, recent legislation provides financial incentives and requires offsets against benefits to households still in the program of recipient-caused errors. GAO found that states have not investigated or adjudicated many identified cases of potential fraud because of the problems they perceived in pursuing them and FNS has not acted in a concerted way to solve or lessen barriers to state fraud pursuit.

Open Recommendations to Congress

Congress should amend the Food Stamp Act of 1977, as amended, to require recovery of overissuances by reducing monthly benefits of recipient households regardless of the reason for the improper issuance.

Status: Action in process.

Congress should add a new section 13(b)(3) to require states to promptly take all necessary steps to recover any overissuances from households no longer participating in the program.

Status: Action in process.

The congressional legislative and appropriations committees should direct the Secretary of Agriculture to evaluate and inform them of the results of any legislative changes and administrative efforts to improve the identification and collection of overissuances and the potential impact of any additional initiatives being considered in this area.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Agriculture should explore with the states ways in which error-prone profiles could be used, in conjunction with computer matching and other identification techniques, to pinpoint household circumstances which have high error potential so that states' administrative resources can be directed toward corrective actions that will result in maximum benefits.

Status: Action in process.

The Secretary of Agriculture should require FNS to solicit, compile, and distribute to the states information on the availability of different kinds of data files that could and should be used to verify household data items that have a major bearing on program eligibility and benefit levels.

Status: Action in process.

The Secretary of Agriculture should require FNS to revise the present claims report received from the states monthly to include information on the number and value of erroneous issuance cases identified through each of the various identification methods that are available. This information should be assessed and distributed to inform the states of the effectiveness of the different identification methods being used.

Status: Action in process.

The Secretary of Agriculture should evaluate each state's performance in establishing and collecting claims. Such evaluations should reveal individual state's, as well as programwide, strengths and weaknesses in the claims establishment and collection process and provide a basis for a FNS determination of whether administrative sanctions are warranted. At a minimum, these evaluations should include: (1) a review of the information in states' Status of Claims Against Households reports to ensure that all claims and collection activity are reported accurately; (2) systematic reviews of Office of Inspector General reports, state management evaluations, and other analytical reports and statistical information on the states' success in claims and collection activity; and (3) onsite reviews of the effectiveness of each state's collection techniques, especially the required offset procedure.

Status: Action in process.

The Secretary of Agriculture should provide technical assistance, based on evaluation and monitoring efforts and other available information, to improve state claims establishment and collection activity as may be needed. Such assistance should include but not be limited to: (1) advice and help to states in developing appropriate accounting systems and controls needed to use the offset procedures most effectively, particularly in cases involving amounts owed from prior periods of households' participation; (2) identification and dissemination of available information on alternative and innovative collection techniques that states use in other programs, which could be used, or used more, to enhance collection of food stamp overissuances not subject to offset authority; and (3) assistance in implementing alternative collection strategies that hold promise for good results.

Status: Action in process.

The Secretary of Agriculture should determine the extent of recipient fraud within the Food Stamp Program and establish the appropriate level of state pursuit and adjudicative efforts needed to control recipient fraud.

Status: Action in process.

The Secretary of Agriculture should require that states' program operating plans include adequate: (1) methods and criteria for identifying cases in which a question of fraud may exist; (2) procedures, developed in cooperation with states' legal authorities, for referring to law enforcement officials cases in which a valid

reason to suspect fraud exists; and (3) procedures for referring to an administrative fraud hearing process all cases not referred to or accepted for court prosecution for reasons other than insufficient evidence.

Status: Action in process.

The Secretary of Agriculture should require states to periodically report pertinent information on their fraud pursuit activities. These reports should include information on all phases of fraud pursuit and adjudication, including the numbers and dollar amounts of all referrals to and from various levels of the investigative and adjudicative processes and the ultimate dispositions of the cases. Such data should identify backlogs in any of the investigative steps or adjudication procedures used.

Status: Action in process.

The Secretary of Agriculture should periodically evaluate states' investigation and adjudication efforts to determine whether states collectively and individually are adequately pursuing potential food stamp fraud.

Status: Action in process.

The Secretary of Agriculture should assess the problems that state officials have reported or may report as barriers to adjudicating alleged food stamp fraud and, to the extent practical, provide the guidance and technical assistance necessary for resolving or decreasing the adverse effect of those problems.

Status: Action in process.

Housing Assistance and Other Income Supplements Small Percentage of Military Families Eligible for Food Stamps

FPCD-83-25, 04/19/83

Background

GAO determined whether the reportedly large percentage of military families eligible for food stamps actually met the benefits criteria, and it reviewed the Department of Agriculture's (USDA) program administrative practices.

Findings

GAO found that only a small percentage of military families are eligible to receive food stamps and most of those families qualify only because their government-furnished housing is not counted as income. However, there are some families who would be eligible for food stamps

regardless of their housing status, and USDA has provided them with the appropriate information concerning their benefits. GAO noted that, under certain circumstances, especially when parents are assigned away from home, there is potential abuse of the program. Inadequate reporting of income and housing status changes also contributes to ineligible families' receiving food stamp benefits.

Open Recommendations to Agencies

The Secretary of Agriculture should issue new guidelines that would ensure that

households would not become eligible for food stamps solely because of an active duty-related absence.

Status: Action in process. Estimated completion date: 06/86

The Secretary of Agriculture should instruct the food stamp caseworkers that, in addition to any other recertifications, they should recalculate food stamp eligibility for all military food stamp recipients at the same time the amount of the annually scheduled military pay raise becomes known.

Status: Action in process. Estimated completion date: 06/86

Housing Assistance and Other Income Supplements Observations on the National School Lunch Program's Assessment, Improvement, and Monitoring System

RCED, 09/07/83

Background

GAO conducted a survey to obtain information on the operation of the Food and Nutrition Service's (FNS) Assessment, Improvement, and Monitoring System which was implemented under interim regulations which established four standards to improve the management of the National School Lunch Program and ensure correct claims for federal program reimbursement. These standards provided that: (1) applications must be correctly approved or denied; (2) the number of meals claimed by each school must be no more than the number of children correctly approved in each school; (3) school recording systems must yield correct claims for reimbursement; and (4) meals must provide the required food components.

Findings

In the four states which GAO visited, GAO found that the local school food authorities failed to meet the first performance standard because they had more than the 10-percent error tolerance level allowed for invalid applications. In addition, GAO found that the followup review requirements for schools found to be not in compliance may be too lenient. Schools may not meet a performance standard and not be subject to another review for years. GAO found that none of the four states elected to require restitution for inaccurate meal counts on the basis of initial reviews, even though restitution is required. GAO found the second performance standard to be overly lenient as a measure of whether free and reduced-price lunch counts were excessive. In addition, GAO found that the third

standard was not consistently applied. Furthermore, GAO found that the fourth performance standard does not ensure that the quantities served to each student comply with the regulations. Finally, GAO found that there is a need for a performance standard covering verification of information on applications, since ineligible children receive free meals because of inaccurate reporting of family income or size.

Open Recommendations to Agencies

The Administrator of FNS should consider requiring states to take financial action against school food authorities that do not meet the first performance standard, perhaps based on a sliding scale depending upon the extent to which the

percent or number of invalid applications exceeds the tolerance set.

Status: Action in process.

The Administrator of FNS should consider setting a lower tolerance for the first performance standard, because the 10-percent tolerance seems high compared with error-rate tolerances established for the Food Stamp Program.

Status: Action in process.

The Administrator of FNS should consider requiring restitution from school food authorities that do not meet Assessment, Improvement, and Monitoring System standards on an initial review.

Status: Action not yet initiated. FNS supports the concept of assessing claims based on the severity and longevity of

problems. Accordingly, upon initial review next year, it plans to require restitution for severe and longstanding problems.

The Administrator of FNS should consider requiring states to test meal counts under the third performance standard to provide a better degree of assurance that school food authority reimbursement claims are accurate. In addition, he should provide states additional guidance on what amount of restitution should be required when schools do not have, or use, an approved system for counting meals served.

Status: Action not yet initiated. FNS plans to publish guidance which will implement this recommendation, but has not established a timeframe for doing so.

The Administrator of FNS should require that the needed guidance for monitoring

the requirement that minimum quantities of various types of food be served to qualify for federal reimbursement be developed and provided to the states as long as FNS regulations continue the requirement, and that compliance with the requirement be made a part of the Assessment, Improvement, and Monitoring System.

Status: Action in process.

The Administrator of FNS should develop an additional Assessment, Improvement, and Monitoring System standard for monitoring school food authority compliance with the new program requirement that state agencies verify 3 percent or 3,000, whichever is less, of a school food authority's approved applications for free or reduced-price school meals.

Status: Action in process.

Housing Assistance and Other Income Supplements

The Management System for Identifying and Correcting Problems in the Food Stamp Program Can Work Better

RCED-84-94, 05/30/84

Background

GAO reviewed the corrective action process used by the Food and Nutrition Service (FNS) to encourage states to solve Food Stamp Program problems.

Findings

GAO found that FNS has taken some actions to help states develop and implement corrective action plans. However, FNS regions had approved some state plans which did not cover all major problems or which proposed corrective actions which were inadequate for solving the problems that were identified. In addition, FNS and the states did not always analyze and summarize all available data to ensure that all identified problems were being addressed in the plans. Of five states reviewed, only one had developed

corrective actions for solving most major problems. GAO found that, even when corrective action plans included major problems, the planned solutions were not always adequate. Furthermore, because states and FNS regional offices failed to analyze and summarize the results of local program evaluations, they were unaware of some problems which needed to be addressed. In addition, FNS did not ensure that states' plans were carried out in a timely manner or that the states monitored the effectiveness of planned actions. Three of the five states reviewed had inadequate procedures for monitoring corrective actions or improperly used such procedures. GAO also found that regional offices lacked clear-cut criteria for determining when to warn states that federal funds might be withheld due to errors. Finally, GAO found that FNS requirements for state management evaluations of local program operations were burdensome and did not cover all recent program changes.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator, FNS, to revise FNS regulations to expand the definition of what constitutes a major program weakness that must be included in state corrective action plans. Dollar losses or the percent of affected cases could be a better benchmark in some situations than the number or percent of project areas involved, which is the present criterion.

Status: Action in process.

The Secretary of Agriculture should direct the Administrator, FNS, to notify FNS regional offices and states that corrective action plans should be comprehensive. All major problems should be included in the plans, and proposed solutions should be sufficient to eliminate or substantially reduce the identified problems. Target dates for initiating and completing

planned actions should reflect the relative priority for solving each problem.

Status: Action not yet initiated. FNS agreed with the need for timely and comprehensive corrective action plans, but has not given priority to carrying out this recommendation.

The Secretary of Agriculture should direct the Administrator, FNS, to obtain and review all state management evaluation reports and the states' analysis of those reports to ensure that states do not omit major problems from their corrective action plans. Doing this should ensure that states follow regulation requirements to analyze results of management evaluations to identify problems that should be addressed in state plans.

Status: Action in process.

The Secretary of Agriculture should direct the Administrator, FNS, to assist states to do the amount and type of analysis of program information needed to develop effective corrective action plans. One option might be to extend the Mid-Atlantic Region's error rate reduction analysis and research system to other FNS regions and to expand that initiative to include the results of management evaluation reviews as well as quality control reviews.

Status: Action in process.

The Secretary of Agriculture should direct the Administrator, FNS, to analyze at the headquarters level all approved state corrective action plans. Such analyses could give FNS a national perspective on the adequacy of state corrective action plans, offer ideas for further technical assistance, and provide FNS headquarters with the information needed to evaluate and guide regional approval of corrective action plans.

Status: Action not yet initiated. FNS headquarters is receiving, but not routinely analyzing, all state corrective action plans. FNS plans to begin having its Program Integrity Branch begin routine analysis of these plans in the near future.

The Secretary of Agriculture should direct the Administrator, FNS, to notify the states that corrective actions are to be implemented in accordance with approved dates.

Status: Action not yet initiated. FNS agreed with, but has not yet carried out, this recommendation. It plans to do so in fiscal year 1986.

The Secretary of Agriculture should direct the Administrator, FNS, to ensure that states adequately monitor and evaluate corrective actions as required by FNS regulations. For particularly serious problems, FNS should consider requiring states to send it periodic status reports on actions not yet completed. States not having adequate monitoring and evaluation techniques should be required to include these as problems in their corrective action plans and correct them just as they would any other program problems.

Status: Action in process.

The Secretary of Agriculture should direct the Administrator, FNS, to develop and issue policy guidance to regions on when to use the formal warning process. The policy guidance should include a list of the most appropriate program problems which FNS believes should be subject to this process.

Status: Action not yet initiated. FNS stated that it would develop flexible guidance for its regions to use in fiscal year 1986.

The Secretary of Agriculture should direct the Administrator, FNS, to use the formal sanction warning process as needed to improve states' administration of the corrective action process. It could be used to encourage states to develop comprehensive plans, carry them out in an effective and timely manner, and monitor and evaluate progress toward eliminating or substantially reducing major problems.

Status: Action not yet initiated. FNS stated that it would be very deliberate in implementing this recommendation because it fears that extensive reliance on formal warnings might strain federal and state relations. It has, therefore, delayed implementing this recommendation.

The Secretary of Agriculture should direct the Administrator, FNS, to revise regulations and manuals to streamline and restructure management evaluation requirements and update review coverage. This guidance should help states target their management evaluations on those program areas needing the most attention while ensuring adequate review coverage and consistent review efforts among the states. FNS should, as part of this revision to regulations and manuals, add any review requirements originating from legislative changes adopted since 1980 when the most recent regulations and handbooks were issued.

Status: Action in process.

Housing Assistance and Other Income Supplements Better Wage-Matching Systems and Procedures Would Enhance Food Stamp Program Integrity

RCED-84-112, 09/11/84

Background

GAO reviewed states' wage-matching activities in the Food Stamp Program to determine whether the Department of Agriculture's and states' wage-matching efforts have effectively addressed the benefit overissuance problem. GAO also analyzed the effectiveness of Aid to Families with Dependent Children (AFDC) Program matching operations on a smaller scale.

Findings

GAO found that underreporting of beneficiary earnings is the most significant cause of food stamp overissuances, which currently are about \$1 billion annually. Although congressional requirements to match wages with external sources can be an effective method for improving the program's integrity, GAO found that wage-matching could be made more effective and efficient through the use of automated procedures, broader program coverage, and effective tolerances in pursuing wage differences. Active federal involvement in guiding and assisting states to improve their matching systems would benefit not only the Food Stamp Program,

but also the AFDC Program. Thorough follow-up actions should ensure that appropriate measures are taken to identify and recover overissuances. GAO noted, however, that follow-up action in most of the cases it reviewed was either not taken, was incomplete, or was inappropriate, and the potential benefits from wage matching were not fully achieved.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Administrator of the Food and Nutrition Service (FNS) to issue policy guidance to improve the efficiency of states' wage-matching systems for identifying and referring for follow-up specific cases involving potential overpayments. This initiative should: (1) describe the most efficient automated methods for identifying participants who have not reported their total income; (2) require states to obtain and compare earned income information of households for which external wage data is obtained; and (3) establish dollar criteria on the amounts of potential income errors which require local office follow-up.

Status: Action in process.

The Secretary of Agriculture should direct the Administrator of FNS to modify FNS regulations concerning increased federal participation in states' cost to develop, install new, or upgrade existing computer systems to require that states' systems retain historical data on participant-reported earnings.

Status: Action in process.

The Secretary of Agriculture should direct the Administrator of FNS to modify its regulations and establish policy guidance to set forth specific FNS expectations regarding state follow-up actions. The regulations also should require that states and local offices provide appropriate instructions and training to staff performing follow-up activities and that states establish controls for monitoring accuracy, timeliness, and completion of local office follow-up work. FNS should evaluate the adequacy of state follow-up efforts as part of its state level operations reviews and its validations of states' management evaluation reviews.

Status: Action in process.

Housing Assistance and Other Income Supplements Need To Foster Optimal Use of Resources in the Special Supplemental Food Program for Women, Infants, and Children (WIC)

RCED-85-105, 09/27/85

Background

GAO reviewed the Special Supplemental Food Program for Women, Infants, and Children (WIC), which the Department of Agriculture's (USDA) Food and Nutrition

Service (FNS) operates. GAO attempted to determine how to obtain the maximum benefit from the use of WIC resources, focusing on: (1) the extent to which state and local WIC agencies attempt to target WIC benefits on the basis of need;

(2) FNS procedures for targeting WIC benefits; (3) state and local WIC agencies' verification of applicants' eligibility for benefits; (4) the impact of FNS and state agency fund allocation procedures on state and local program operations and

benefits targeting; and (5) opportunities to improve targeting, fund allocation, and eligibility determination procedures to maximize the beneficial impact of WIC resources.

Findings

GAO found that: (1) while WIC benefits targeting is important because WIC is not an open-ended entitlement and some eligible beneficiaries may not be served, FNS has not emphasized targeting as a major policy objective, encouraged states to emphasize targeting, or assessed targeting performance in its evaluations of state and local program administration; (2) WIC agencies are only required to target benefits when they reach the highest participation level that available funds will support; (3) in states with no targeting programs, fewer than half of the WIC beneficiaries were in the eligible groups considered most needy; and (4) FNS allows state WIC agencies to establish their own nutritional risk eligibility criteria and does not require uniform nutritional risk criteria. GAO also found that: (1) FNS has not established uniform guidance for documenting and verifying applicants' income and family size; (2) state and local procedures for documentation and verification of income eligibility are not always sufficient to ensure that only eligible individuals receive benefits; and (3) state and local agencies rarely verify the accuracy of unsupported income information provided by WIC applicants. In addition, GAO found that: (1) variable funding actions have caused instability in program growth; and (2) this instability, combined with FNS changes in funding allocations formulas and the FNS legal obligation to recover and reallocate unspent WIC funds in any given fiscal year, has created pressures against targeting and effective caseload management at the state and local level.

Open Recommendations to Agencies

The Secretary of Agriculture should require FNS to emphasize targeting as a major policy objective and guiding principle to be followed by state and local WIC agencies in managing their programs,

and provide technical assistance to state and local WIC agencies in developing approaches for targeted outreach and effective referral arrangements designed to increase the number of especially vulnerable individuals available to the program on a continual basis.

Status: Action not yet initiated. USDA has not had time to act on this recommendation, which was made on September 27, 1985.

The Secretary of Agriculture should require FNS to include targeting performance as an area for examination in state agency management evaluations, encourage states to consider targeting performance as a basis for evaluating the overall performance of sponsoring local agencies, and use actual targeting and potential for targeting as a basis for selecting additional sponsoring local agencies.

Status: Action in process.

The Secretary of Agriculture should require FNS to undertake and support appropriate targeting initiatives and demonstration projects aimed at developing and testing a variety of targeting tools and strategies that can be used by state and local WIC agencies.

Status: Action not yet initiated. USDA has not had time to act on this recommendation, which was made on September 27, 1985.

The Secretary of Agriculture should require FNS to seek the advice and assistance of experts in the field of nutrition and related health sciences in evaluating the role of dietary assessment in WIC, particularly as it relates to assessing nutritional risk, and work with those at the forefront of nutrition research to develop dietary screening and assessment techniques appropriate for use in the WIC certification process.

Status: Action not yet initiated. USDA has not had time to act on this recommendation, which was made on September 27, 1985.

The Secretary of Agriculture should require FNS to consult with medical authorities and competent professional bodies in and out of government, including such organizations as the World Health Organization, the Department of Health and Human Services, the American Academy of Pediatrics, and the American College of Obstetricians and Gynecologists, in developing uniform standards of risk for use in assessing those conditions, apart from dietary inadequacy, most commonly used to certify WIC applicants and recertify WIC participants. This should include, but not be limited to, standards for diagnosing such conditions as anemia, abnormal growth pattern, including obesity/underweight, chronic infections, adolescent pregnancy, smoking, and use of alcohol, caffeine, and other potentially harmful substances.

Status: Action not yet initiated. USDA has not had time to act on this recommendation, which was made on September 27, 1985.

The Secretary of Agriculture should require FNS to issue additional policy guidance on the need for full documentation of all nutritional risk conditions used as a basis for WIC certifications, where this would be feasible. FNS should routinely check the extent of such documentation as part of its evaluations of state of local WIC programs.

Status: Action not yet initiated. The report was issued on September 27, 1985. USDA has not had time to act on this recommendation.

The Secretary of Agriculture should require FNS to promulgate regulations requiring documentation of the sources and amounts of WIC applicant-reported income and family size. Copies of applicant-provided income documentation, such as pay stubs, voluntarily provided tax records, and unemployment compensation checks should be retained in each casefile or, when this is not feasible, should be described in detail in the casefile. To document family size, documents such as federal or state income tax returns, employee benefit policies, health

or life insurance policies, court or church records, or, in the absence of these, applicant affidavits would seem acceptable. For applicants who could be accepted as income-eligible for WIC on the basis of reported participation in some other qualifying benefit program, evidence of current participation should be required.

Status: Action not yet initiated. The report was issued on September 27, 1985. USDA has not had time to act on this recommendation.

The Secretary of Agriculture should require FNS to focus greater attention on the income eligibility determination component of the WIC certification process through specific coverage of this aspect during the management evaluations periodically conducted by FNS regional offices. In addition to assessing state agency policies and procedures in this area, the management evaluations should include the examination of a sample of local agency casefiles to test for compliance with federal and state requirements and to review the accuracy and reliability of income eligibility determinations.

Status: Action not yet initiated. The report was issued on September 27, 1985. USDA has not had time to act on this recommendation.

The Secretary of Agriculture should submit, for congressional consideration, proposed legislation to eliminate the

existing statutory requirement that the Secretary reallocate program funds periodically if it is determined that a state agency is unable to spend its allocation within a given program year.

Status: Action not yet initiated. The report was issued on September 27, 1985. USDA has not had time to act on this recommendation.

The Secretary of Agriculture should study the extent to which state agencies should be permitted to carry over unexpended grant funds from one program year to the next, and propose legislation to authorize such carryover of funds as may be deemed appropriate. The proposed legislation should also authorize the Secretary to recover and reallocate funds when projected underexpenditures exceed the allowable carryover or in other circumstances where such action may be deemed appropriate.

Status: Action not yet initiated. The report was issued on September 27, 1985. USDA has not had time to act on this recommendation.

The Secretary of Agriculture should require FNS to require WIC state and local agencies to include in their monthly reports of participation data information showing the detailed categorical composition and priority risk composition of their participant caseloads.

Status: Action not yet initiated. The report was issued on September 27, 1985. USDA has not had time to act on this recommendation.

The Secretary of Agriculture should require FNS to require WIC state agencies to routinely include information on the planned categorical and priority risk composition of participant caseloads in expenditure plans submitted to FNS, and require FNS to use these data, in combination with reported data on actual caseload and priority risk composition, to negotiate workable targeting objectives with the states and monitor and assess states' targeting performance.

Status: Action not yet initiated. The report was issued on September 27, 1985. USDA has not had time to act on this recommendation.

The Secretary of Agriculture should require FNS to explicitly recognize targeting achievements, with proper notice and sufficient leadtime to states, in the assessment of state agency performance and decide on funding allocations that could lead to more effective resource management and provide tangible incentives for states to improve their targeting performance.

Status: Action not yet initiated. The report was issued on September 27, 1985. USDA has not had time to act on this recommendation.

Other Income Security

Several States Have Not Properly Implemented Certain AFDC Provisions of the Omnibus Budget Reconciliation Act of 1981

HRD-83-56, 06/08/83

Background

GAO reviewed the implementation of provisions of title XXIII of the Omnibus Budget Reconciliation Act of 1981, which affects the Aid to Families with Dependent Children (AFDC) Program.

Findings

GAO found variances in the way some states implemented the following provisions: (1) the 150-percent income limit for eligibility; (2) the treatment of lump-sum income tax refunds as either a resource or income for eligibility or benefit payment amount purposes; and

(3) special-need allowances for pregnant women. The administration expected these provisions to save the government about \$22 million in fiscal year 1982. The variances that GAO found in implementation could result in the government's not realizing the full savings anticipated and may result in inequitable treatment of segments of the AFDC population.

Open Recommendations to Agencies

The Secretary of HHS should direct the Commissioner of Social Security to issue regulations after litigation has been com-

pleted on the issue of whether income tax refunds are to be considered as income for AFDC purposes describing how income tax refunds are to be treated under the lump-sum payment provision by the states, or to seek appropriate clarifying

legislation if final court decisions are not consistent.

Status: Action in process. Estimated completion date: 03/86

Other Income Security

HHS Needs To Determine If Massachusetts' AFDC Program Meets Federal Requirements and, If Not, Take Compliance Action

HRD-84-8, 07/09/84

Background

GAO discussed its findings regarding the Massachusetts Department of Public Welfare's administration of the Aid to Families with Dependent Children (AFDC) program.

Findings

GAO found that the Department made erroneous AFDC payments in 1981, 1982, and 1983 and that the federal share of these payments was over \$3 million. In 1981, the Department: (1) made estimated payments of \$168,000 to ineligible AFDC dependents aged 18 through 20 who were not regularly attending school and to refugees for whom reimbursements were claimed under the Refugee Act beyond the act's 3-year payment limit; (2) made estimated AFDC payments of \$240,000 to ineligible dependents aged 21 years or older and took an average of more than 6 months to adjust benefits after these dependents became ineligible; and (3) recorded an estimated 61 percent of the dependents' eligible status incorrectly in the automated welfare files. From February 1982 to August 1983, the Department experienced related problems in implementing federal requirements and

made erroneous payments of which the federal share was \$2.8 million. GAO found that the Department has experienced substantial data problems in its automated welfare files, such as erroneous or missing social security numbers and incorrect information about dependents' status. Further, there is no provision for automated cross-referencing between the separate files maintained on recipients and dependents, and there is no tracking system to ensure that caseworkers follow through to update case files.

Open Recommendations to Agencies

The Secretary of Health and Human Services (HHS) should direct the Commissioner of Social Security to ascertain whether the Massachusetts Department of Public Welfare has taken effective action to validate and correct AFDC dependent case information in its automated welfare master files.

Status: Action in process. Estimated completion date: 01/86

The Secretary of HHS should direct the Commissioner of Social Security to ascertain whether the Massachusetts Department of Public Welfare has taken effective

action to record U.S. entry dates for all refugee recipients and dependents in its automated welfare master files.

Status: Action in process. Estimated completion date: 03/86

The Secretary of HHS should direct the Commissioner of Social Security to ascertain whether the Massachusetts Department of Public Welfare has taken effective action to develop, for those cases identified as requiring changes, a tracking system to ensure that caseworkers follow through in making the changes.

Status: Action in process. Estimated completion date: 04/86

The Secretary of HHS should direct the Commissioner of Social Security to ascertain whether the Massachusetts Department of Public Welfare has taken effective action to emphasize that field offices act to remove ineligible dependents from cases, adjust benefits accordingly, and otherwise improve case maintenance activities.

Status: Action in process. Estimated completion date: 04/86

Unemployment Compensation Need To Improve Internal Controls To Curtail Fraud and Abuse in the RRB Unemployment and Sickness Insurance Program

HRD-85-37, 02/27/85

Background

GAO assessed the Railroad Retirement Board's controls for preventing and detecting fraud and abuse in its unemployment and sickness insurance program.

Findings

The program paid out about \$1.4 billion in benefits during the last 5 years to one million qualified rail workers who became unemployed or were absent from work due to sickness. GAO found that, although 38 states collect wage records against which the Board could detect instances of persons working in nonrail employment while collecting unemploy-

ment or sickness benefits, the Board does not attempt to make such detections. Further, the Board does not have procedures to notify a rail employer that a claimant has filed for unemployment benefits. GAO also found that the Board makes no attempt to identify the prevalent problem of employees' claiming benefits using another person's record. GAO noted that the Board's internal controls over sickness claims are also vulnerable to fraud or abuse.

Open Recommendations to Agencies

The Board should, if it finds that implementation is feasible and cost-

beneficial, periodically review the validity of multiple benefit checks being sent to the same address.

Status: Action in process.

The Board should, if it finds that implementation is feasible and cost-beneficial, require as a minimum some form of additional control to verify sickness claims.

Status: Action in process. Estimated completion date: 12/85

Interest

Other Interest

Equitable Interest Rates Are Needed for Farmers Home Administration Loans

RCED-83-157, 08/12/83

Background

GAO reviewed the Farmers Home Administration's (FmHA) policies, procedures, and practices for setting and revising interest rates on farm, home, and community facility loans.

Findings

Between June 1981 and March 1982, FmHA approved about 94,000 housing and farm loans, for which borrowers will receive subsidies or pay premiums, totalling \$112 million over the life of their loans. GAO noted that, because subsidies will exceed premiums, FmHA program costs on these loans could be increased by as much as \$94 million. GAO found that FmHA has not developed an adequate rate review or decisionmaking process to allow judicious use of its discretionary authority to set interest rates on housing and farm loans. Specifically, the cutoff point for changing rates was an estimate established without analysis. Further, FmHA application of its own guidelines has resulted in inconsistencies. GAO stated that the lack of criteria resulted in inequitable treatment of borrowers within the same programs, and it questioned the 25-year period FmHA uses to set rates on real estate loans and the use of the municipal bond rate to set rates on community facility loans.

Open Recommendations to Agencies

The Secretary of Agriculture, to provide for changes in farm and home loan program interest rates in a timely, economical, and equitable manner, should direct the Administrator, FmHA, to revise interest rates monthly, setting new rates at the Treasury monthly cost-of-money rate with appropriate adjustments for limited-resource farm loans.

Status: Action in process. Estimated completion date: 02/86

The Secretary of Agriculture, to facilitate this change without adversely affecting the FmHA workload, should direct the Administrator, FmHA, to implement rate changes by the fifth work day of each month and require FmHA county supervisors to determine the maximum rate applicants can pay.

Status: Action in process. Estimated completion date: 02/86

The Secretary of Agriculture should require the Administrator, FmHA, before extending FmHA authority, to develop specific, quantitative criteria to identify and weigh other factors in setting loan program interest rates.

Status: Action in process. Estimated completion date: 02/86

The Secretary of Agriculture, to better comply with the requirements of FmHA authorizing legislation, should direct the Administrator, FmHA, to use a 30-year maturity period to set interest rates on farm ownership, including limited-resource farm ownership, and single family housing loans.

Status: Action in process. Estimated completion date: 02/86

The Secretary of Agriculture, to ensure continued validity of the maturity period being used to set interest rates, should direct the Administrator, FmHA, to periodically determine the actual maturity period of FmHA loans.

Status: Action in process. Estimated completion date: 02/86

The Secretary of Agriculture should direct the Administrator, FmHA, to use a revenue bond index to determine bond market rates for the purpose of setting interest rates on community facility loans.

Status: Action in process. Estimated completion date: 02/86

International Affairs

Conduct of Foreign Affairs

Need To Improve Management of ACDA's Automatic Data Processing and Operations Analysis Functions

NSIAD-83-66, 09/30/83

Background

In response to a congressional request, GAO examined the management of computer-based support functions at the Arms Control and Disarmament Agency (ACDA).

Findings

GAO found that, at the end of fiscal year (FY) 1982, ACDA abolished its Office of Operations Analysis (OA), transferred its analysts to other parts of ACDA and gave them new titles, cancelled its contract for a DEC-20 computer, and kept its small Wang computer and purchased timesharing services from other agencies. ACDA stated that OA was abolished, in part, to help cope with a FY 1983 budget reduction and claimed that over \$1.3 million was saved in FY 1983 by relocating the facility. However, GAO es-

timated that only about \$683,000 in savings can properly be attributed to ACDA actions regarding OA and computer support. GAO found that, currently, ACDA does not adequately plan for or evaluate the use of automatic data processing (ADP) systems. Moreover, ACDA is not complying with Office of Management and Budget (OMB) guidance on computer security, although GAO is unaware of any loss of data. Within ACDA there is disagreement concerning the adequacy of operations analysis capabilities to meet future needs. Further, ACDA has limited access to Department of Defense operations analysis resources.

Open Recommendations to Agencies

The Director, ACDA, should develop a comprehensive ADP planning process,

which requires top management involvement, well supported justification of stated needs, and periodic feedback from users.

Status: Action in process.

The Director, ACDA, should implement an ADP cost accounting system which complies with OMB Circular A-121.

Status: Action in process.

The Director, ACDA, should establish a computer security program which complies with Transmittal Memorandum Number 1 to OMB Circular A-71.

Status: Action in process.

Conduct of Foreign Affairs

ACDA's Coordination of Federal Arms Control Research and Management of its External Research Program Still Need Improvement

NSIAD-83-67, 09/30/83

Background

GAO reported on the adequacy of the administration of the Arms Control and Disarmament Agency's (ACDA) research program and its coordination of arms control research throughout the federal government.

Findings

GAO found that ACDA needs to improve the operation of its external research program and to fulfill its responsibilities for coordinating all federal arms control and disarmament research or seek relief from them. GAO found that the same problems which it reported were

hindering the research program's efficient operation more than 3 years ago are still present. The external research program has no formal project selection criteria, little internal coordination, no routine review of available research listings to help avoid project duplication, and inadequate use of contractor evaluations. In addition, ACDA is not meeting its legislated responsibilities for: (1) planning a program of arms control research; (2) advising other agencies of their research roles; (3) maintaining a continuing inventory of federal activities related to research; or (4) submitting periodic

schedules of activities to the Office of Management and Budget.

Open Recommendations to Agencies

The Director of ACDA should require project officers to use available listings of federal government research in order to more comprehensively identify research related to proposed projects.

Status: Action in process.

The Director of ACDA should estimate the resources ACDA needs to effectively coordinate federal arms control research, based on the defined scope.

Status: Action in process.

Conduct of Foreign Affairs Need for Internal Control Improvements at ACDA, Including Adequate Internal Audit Coverage

NSIAD-83-68, 09/30/83

Background

GAO reviewed internal controls and audit coverage at the Arms Control and Disarmament Agency (ACDA), focusing on its compliance with legislative and administrative directives.

Findings

GAO found that ACDA has only recently begun to implement key internal control requirements set forth in Office of Management and Budget (OMB) Circular A-123. GAO also found that ACDA has no internal audit staff and that its internal audit coverage does not meet the requirements for expanded-scope auditing set forth in OMB Circular A-73. In addition, GAO found that ACDA has not comprehensively analyzed its authorizing legislation to determine whether it is

meeting required mandates. Finally, GAO found that ACDA has not complied with reporting requirements under the Arms Control and Disarmament Act concerning the verifiability of arms control proposals.

Open Recommendations to Agencies

The Director, ACDA, should establish an internal control system which is in accordance with legislative requirements and administrative directives.

Status: Action in process.

The Director, ACDA, should establish internal audit coverage in accordance with the requirements of 31 U.S.C. 3512 and of OMB Circular A-73, "Audit of Federal Operations and Programs."

Status: Action in process.

The Director, ACDA, should correct the matters discussed in this report related to updating the ACDA Manual and Instructions.

Status: Action in process.

The Director, ACDA, should correct the matters discussed in this report related to resolving the differences in assigned versus performed verification duties.

Status: Action in process.

The Director, ACDA, should correct the matters discussed in this report related to assessing all of the ACDA legislative authorities.

Status: Action in process.

Conduct of Foreign Affairs Implementation of Trade Restrictions for Textiles and Apparel

NSIAD-84-18, 11/04/83

Background

In response to a congressional request, GAO reviewed the current administration of the Multifiber Arrangement (MFA), an international agreement that provides the legal framework for regulating textile trade.

Findings

In the United States, the MFA is implemented by the Committee for the Implementation of Textile Agreements (CITA) which consists of representatives from the Departments of Commerce, State, Labor, and the Treasury, and the Office of the U.S. Trade Representative. CITA determines whether and when to

request consultations with an exporting country about restricting its exports of a particular category of textiles or apparel. GAO found that the structure of the decisionmaking process within the administration and CITA is generally adequate. However, weaknesses in information on the domestic economy lessen the persuasiveness of market disruption statements which are required with each request for consultation on restricting imports. The data for these statements are collected annually and, therefore, are too old to reflect current conditions. They are not compatible with the categories in the consultation requests and contain only vague assertions as to the current state of the market for the category in question.

Open Recommendations to Agencies

The Secretary of Commerce should direct the Chairman of CITA to arrange with the Bureau of the Census to begin collecting data compatible with the MFA categories on a quarterly basis. If the Census Bureau finds that information obtained from domestic manufacturers on a voluntary basis is not sufficient for statistical validity, then the Secretary of Commerce should request Congress to enact legislation making such response mandatory.

Status: Action in process.

Conduct of Foreign Affairs

The Audit and Inspection Functions at the United States Information Agency Need Management Attention

NSIAD-84-14, 04/04/84

Background

GAO reviewed the audit and inspection functions at the U.S. Information Agency (USIA).

Findings

GAO found that the effectiveness of audit activity at USIA was impaired because: (1) there was a lack of timely compliance with audit recommendations; (2) the audit function was not properly located within the organizational structure of USIA; (3) there was insufficient funding and staffing of audit activities; and (4) the scope of audit activities was inadequate. USIA has not implemented an audit recommendation resolution system, and GAO identified numerous recurring management problems in such areas as personnel, payroll, travel, cash, property, contract, and grant management. In addition, GAO

found perceptions throughout USIA that the inspection function was ineffective because: (1) inspectors did not use adequate criteria, standards, and methods; (2) inspectors had preconceived ideas about programs that hindered their ability to apply objective inspection criteria; and (3) inspectors recommended actions which would not be effective. GAO was unable to independently assess the inspection function at USIA because of a lack of sufficient documentation.

Open Recommendations to Agencies

The Director of USIA should develop and implement an effective audit recommendation and follow-up compliance system adhering to OMB Circular A-50 and the Comptroller General's resolution standards and have the Inspector General monitor the effectiveness of the system.

Status: Action in process.

The Director of USIA should establish a permanent professional inspection staff trained in management analysis.

Status: Action in process.

The Director of USIA should direct the Chief Inspector to develop standards and criteria for the inspection process, after consulting with the Director and area offices to satisfy their inspection objectives, and to provide an uniform inspection approach.

Status: Action in process.

The Director of USIA should develop and implement an effective inspection follow-up and compliance system.

Status: Action in process.

Conduct of Foreign Affairs

The International Agreement on Government Procurement: An Assessment of Its Commercial Value and U.S. Government Implementation

NSIAD-84-117, 07/16/84

Background

GAO reviewed the government's implementation of the multilateral Agreement on Government Procurement, which was meant to limit signatory governments' use of discriminatory procurement practices as barriers to trade.

Findings

GAO found that, while the agreement was an important step toward less restrictive trade, it has had less commercial value

than originally anticipated because: (1) foreign signatory governments opened a smaller value of procurements to international competition than was projected; (2) some foreign signatory governments did not comply with the agreement; (3) previous agreements and national practices had already opened to American competition procurements covered by the agreement; and (4) American firms were unable to competitively sell products demanded by foreign governments. The U.S. Government opened a greater value of procurements to foreign competition

than did all other signatories. GAO also found that the Department of Commerce's efforts to familiarize American firms with the agreement were ineffective because: (1) budgetary constraints and an internal reorganization hampered such efforts; (2) Commerce did not make an effort to reach the firms most capable of benefiting from the agreement through their overseas representatives; and (3) of inefficiencies in Commerce's Trade Opportunities Program. In addition, GAO found that: (1) embassies devoted little time to efforts to monitor compliance with

the agreement because they were unsure about what actions to take regarding noncompliance; and (2) information collection difficulties have prevented the U.S. Government from fully assessing the benefits of the agreement.

Open Recommendations to Agencies

The Secretaries of State and Commerce, in consultation with the U.S. Trade Representative, should direct U.S. embassies and Commerce district offices to include, as part of their ongoing commercial activities, programs devoted to informing U.S. business officials about the Government Procurement Agreement, their rights under it, and sources of information on covered procurements.

Target: Department of Commerce

Status: Action in process. Estimated completion date: 12/85

Target: Department of State

Status: Action in process. Estimated completion date: 12/85

The Secretaries of Commerce and State, in consultation with the U.S. Trade Representative, should instruct U.S. embassies in signatory countries to more vigorously monitor foreign-government compliance with the Agreement on Government Procurement by actively seeking information from the in-country American business community. These instructions should cover: (1) the level

of resources embassies should devote to monitoring host-government compliance with the agreement; (2) the types of tasks they should perform; (3) the extent to which they can follow up on complaints brought to their attention; and (4) whether they should assist subsidiaries of U.S.-based firms offering goods made outside the United States.

Target: Department of Commerce

Status: Action in process. Estimated completion date: 12/85

Target: Department of State

Status: Action in process. Estimated completion date: 12/85

Conduct of Foreign Affairs
Accurate and Complete Subcontract Data Needed To Assess International Agreements on Defense Procurement

NSIAD-85-30, 12/13/84

Background

In response to a congressional request, GAO reported on improvements needed in the Department of Defense's (DOD) subcontract-level reporting system, a data collection system which requires prime contractors and subcontractors to report foreign-source purchases valued at more than \$10,000.

Findings

The DOD international acquisitions staff has reported that, at present, one person works on the system as a collateral duty, and at least one full-time person is needed to properly operate the system. Furthermore, the use of computers would reduce the time needed to compile the information and the potential for error. GAO found that: (1) efforts to encourage compliance with the reporting system have not been fully successful; (2) because contractors have not submitted required reports, the validity of the data developed by the system may have been

lessened; (3) the international acquisitions staff has not instituted a method for assessing compliance with the system; (4) the system's method for indicating whether a procurement is domestic or foreign-source can result in incomplete information; (5) by excluding contracts for commercial items, the reporting system overstates the U.S. trade surplus because it collects no information on a significant and growing category of procurements; and (6) many firms are not using the reporting form required by the system but are supplying the information through letters.

Open Recommendations to Agencies

The Secretary of Defense should revise the DOD supplement to the Federal Acquisition Regulation and, when necessary, form DD-2139 to institute a method for assessing compliance with the subcontract-level reporting system, such as a negative reporting requirement.

Status: Action in process. Estimated completion date: 06/86

The Secretary of Defense should revise the DOD supplement to the Federal Acquisition Regulation and, when necessary, form DD-2139 to require that the subcontract-level reporting system use country of origin rather than principal place of performance to indicate foreign-source procurements.

Status: Action in process. Estimated completion date: 06/86

The Secretary of Defense should revise the DOD supplement to the Federal Acquisition Regulation and, when necessary, form DD-2139 to require that contractors receiving contracts for commercial items report on subcontracts meeting the value threshold for reporting, except procurements of ores, natural gas, utilities, petroleum products and crudes, timber, and subsistence items.

Status: Action in process. Estimated completion date: 06/86

Conduct of Foreign Affairs

The U.S. Nuclear Materials Information System Can Improve Service to Its User Agencies

NSIAD-85-28, 01/14/85

Background

GAO discussed the Department of Energy's (DOE) computerized transaction file on domestic and international nuclear materials, known as the Nuclear Materials Management and Safeguards System (NMMSS).

Findings

GAO noted that some NMMSS users do not believe that its data is reasonably accurate and adequate for their purposes. Some of these problems have been recognized and efforts have been made to improve the system, especially the accuracy of data on international transactions. NMMSS users have identified the following improvement opportunities which would enable the system to better serve them: (1) direct access to licensee

data; (2) automated data input equipment to improve source data accuracy; and (3) a data base management system to improve NMMSS efficiency and timeliness and access for users.

Open Recommendations to Agencies

The Secretary of Energy should develop a NMMSS long-range management plan which allows for top management involvement by the principal NMMSS users and principal recipients of NMMSS-generated data.

Status: Action in process.

The Secretary of Energy should complete the data base management system project.

Status: Action in process.

The Secretary of Energy should evaluate the current organizational responsibilities for NMMSS and implement the specific changes needed to improve planning and operations.

Status: Action in process.

The Secretary of Energy should review, as part of the planning process and with the assistance of other principal users, the various NMMSS operational improvements that are underway or which have been identified in previous DOE-sponsored studies, and implement those found to be cost-effective. This review should consider the improvements from an overall system viewpoint, rather than on an individual basis.

Status: Action in process.

Conduct of Foreign Affairs

Key Issues Concerning Department of State's New Financial Management Centers

NSIAD-85-97, 06/05/85

Background

Pursuant to a congressional request, GAO reviewed the Department of State's efforts to establish Financial Management Centers (FMC) overseas, including: (1) the adequacy of transition plans for integrating the new centers with the existing regional centers; (2) the effect of personnel and equipment problems on establishing the new centers; and (3) the costs associated with establishing the new centers.

Findings

GAO found that: (1) the plans to implement the new financial management system did not address how currency buying will be carried out and how staffing reassignments will be handled; (2) overall costs to open the FMC have been understated; and (3) State has not yet decided which overseas posts the FMC will service and which posts Regional Administrative Management Centers (RAMC) will service. GAO also found that: (1) State has increased its efforts to recruit and train sufficient personnel to staff the new FMC; (2) the lack of availability of repair parts and service personnel for computer

equipment has affected operations; and (3) cost benefit analyses performed early in the program may not be valid because the system's design has been changed numerous times.

Open Recommendations to Agencies

The Secretary of State should direct the Under Secretary of Management to closely monitor the schedule for establishing FMC and to modify it if problems arise.

Status: Action in process.

The Secretary of State should direct the Under Secretary of Management to resolve which posts FMC will service and which posts RAMC will service and determine how the smaller posts will receive maximum benefits.

Status: Action in process.

The Secretary of State should direct the Under Secretary of Management to ensure that RAMC transition plans are prepared which consider the impact the FMC will have on the RAMC.

Status: Action in process.

The Secretary of State should direct the Under Secretary of Management to resolve the issue of how currency buying will be performed so that the impact on the RAMC and the FMC can be taken into consideration.

Status: Action in process.

The Secretary of State should direct the Under Secretary of Management to require that data be collected to measure workload so that RAMC can assess staff levels.

Status: Action in process.

The Secretary of State should direct the Under Secretary of Management to ensure that actions are begun immediately to resolve the issue of the future long-term role of the RAMC.

Status: Action in process.

To ensure that FMC will have the necessary resources and operational capabilities, the Secretary of State should direct the Under Secretary for Management to quantify the need for and availability of qualified budget and fiscal officers, relate shortfalls to recruiting and training plans, and take appropriate action where needed.

Status: Action in process.

To ensure that FMC will have the necessary resources and operational capabilities, the Secretary of State should direct the Under Secretary for Management to update foreign service national classification standards to reflect work performed at the FMC.

Status: Action in process.

To ensure that FMC will have the necessary resources and operational capabilities, the Secretary of State should direct the Under Secretary for Manage-

ment to require post systems managers to start collecting data on use of post computer resources.

Status: Action in process.

To ensure that FMC will have the necessary resources and operational capabilities, the Secretary of State should direct the Under Secretary for Management to ensure that the Department initiatives to resolve its computer maintenance problems are pursued to minimize potential adverse impact on FMC operations.

Status: Action in process.

The Secretary of State should identify and track the total costs of FMC development.

Status: Action in process.

The Secretary of State should reevaluate the costs and benefits of FMC as implementation progresses.

Status: Action in process.

The Secretary of State should determine whether the local disbursing capability is needed and cost-effective at all 20 designated FMC.

Status: Action in process.

Conduct of Foreign Affairs

U.S.-Canadian Joint Effort Helps To Revitalize Great Lakes Fishery

NSIAD-85-106, 07/08/85

Background

Pursuant to a congressional request, GAO reviewed the administration and effectiveness of the Great Lakes Fishery Commission (GLFC) to determine: (1) the extent to which GLFC activities have improved the Great Lakes fisheries; (2) the timeliness and effectiveness of research studies; (3) the process by which U.S. positions on GLFC issues are formulated; (4) the effectiveness of U.S. commissioners; (5) the extent to which alternate commissioners have been used;

and (6) the disposition of unused appropriated funds and the interest earned on them.

Findings

GAO found that the efforts of GLFC, specifically its sea lamprey programs, have contributed significantly to increased Great Lakes fish stocks. Since authority to manage the Great Lakes remains with federal, state, and provincial governments,

GLFC has assumed the role of sponsor and facilitator rather than manager. However, the research program has been criticized because a large number of research projects have been awarded to members of the GLFC technical advisory board, creating the impression of conflicts of interest. In addition, the program has been criticized because research projects have not been timely completed. GAO also found that: (1) while U.S. commissioners' backgrounds are primarily generalist in nature, Canadian commissioners are more scientifically oriented; (2) GLFC decisions

are rendered by group consensus rather than by separate unified positions formulated by each country; (3) U.S. commissioners have frequently been absent from GLFC meetings, primarily due to illness; (4) GLFC has not used its authorization to fill temporary vacancies because most absences have been unexpected in nature; and (5) in fiscal year 1984, GLFC had an operating budget of approximately \$7 million, supplemented by about \$1.1 million of unused funds, including earned interest, accumulated over the period of 1979 through 1984. The unused fund balance represented about 16 percent of the 1984 annual budget.

Open Recommendations to Agencies

The Secretary of State should instruct the Executive Director of the Bureau of Oceans and International Environment and Scientific Affairs to propose to GLFC that it require: (1) a request for proposals when contracting for larger research projects, and a particular dollar threshold should be included in the Executive Director's proposal; and (2) progress reports from researchers at established intervals agreed upon in research agreements.

Status: Action in process. Estimated completion date: 12/85

The Secretary of State should instruct the Executive Director of the Bureau of Oceans and International Environment and Scientific Affairs to renew the Department of State's efforts to have the GLFC: (1) apply unused funds against next year's budgeted expenses, in accordance with GLFC regulations; and (2) provide for a working capital fund, based on a percentage of its annual budget, to serve as a hedge against unanticipated shortfalls in funds.

Status: Action in process. Estimated completion date: 12/85

Conduct of Foreign Affairs State Department and USIA Ship Travel and Travel Advances

NSIAD-85-130, 09/11/85

Background

In response to a congressional request, GAO examined travel practices at the Department of State and the U.S. Information Agency (USIA) to determine whether they were in accordance with applicable laws and regulations and in the government's best interest.

Findings

GAO found that about 260 foreign service travelers used ship transportation during fiscal years 1982 through 1984 at a cost of \$556,232 when air fares for the same travel would have cost about \$160,047. Although the Foreign Affairs Manual encourages air travel, ship travel is authorized. GAO also found that both State and USIA had \$13.6 million in outstanding travel advances, and accounts totalling at least \$876,662 have been written off during 1984 and 1985. These delinquencies and write-offs have resulted from problems in accounting for, controlling, and monitoring travel advances. Although travelers are required to submit a travel reimbursement voucher and remit a refund within 30 days following travel, GAO found accounts that were outstanding for up to 7 years. In addition, GAO found that: (1) travel account records are of questionable accuracy because data are either missing or have

not been entered into the computer system in a timely manner or have been miscoded; (2) although State and USIA have made efforts to correct travel advance accounts, many accounts remain delinquent; and (3) both agencies have insufficient staff to manage the travel workload. Finally, GAO found that: (1) travel claims lacked required justification and documentation; (2) travelers were reimbursed for averaged expenses when they should have been reimbursed for actual expenses; and (3) travelers often submitted late vouchers.

Open Recommendations to Agencies

The Secretary of State and the Director, USIA, should: (1) revise travel regulations for home leave and transfer travel to require a cost comparison on all transportation costs between the points of origin and destination; and (2) require the traveler to pay the difference between the least costly method which provides reasonable travel comfort and safety and any other travel route or mode the traveler chooses. Regulations should preclude ship travel unless required for medical reasons or unless the traveler pays additional costs.

Target: Department of State

Status: Action in process.

Target: United States Information Agency

Status: Action in process.

The Secretary of State and the Director, USIA, should reconcile all delinquent travel advance accounts immediately and take the necessary steps to ensure that travel advances are properly managed in the future.

Target: Department of State

Status: Action in process.

Target: United States Information Agency

Status: Action in process.

The Secretary of State and the Director, USIA, should reemphasize to authorizing and certifying officers the importance of enforcing existing regulations.

Target: Department of State

Status: Action in process.

Target: United States Information Agency

Status: Action in process.

Conduct of Foreign Affairs Department of State's Progress in Implementing the Federal Managers' Financial Integrity Act

NSIAD-85-135, 09/25/85

Background

GAO reviewed the Department of State's compliance with the Federal Managers' Financial Integrity Act of 1982 (FIA) to assess: (1) whether actions taken as a result of the act are improving internal control and accounting systems; (2) its progress in implementing a program for evaluating systems of internal control; and (3) the reasonableness of State FIA reports.

Findings

GAO noted that State is making progress toward correcting reported internal control weaknesses; however, adequate progress has not been made to correct long known weaknesses and accounting deficiencies related to personal property management. GAO found that: (1) the 1984 report on accounting systems stated that the systems were not in conformance with Comptroller General requirements; (2) areas excepted from the report on internal controls were of major importance to State operations; (3) the FIA implementation program has not resulted in detailed evaluations and tests of all systems of internal control; (4) effective

action has not been taken to correct accounting and internal control weaknesses in personal property management; and (5) specific problems were not listed in the FIA report, but the report made reference to the problems and characterized them as minor accounting deficiencies. GAO also found that: (1) controls over personal property management were not adequate because of the lack of a departmentwide system for managing and accounting property; (2) State failed to perform physical inventories at all locations and reconcile the inventories to financial records; (3) some vulnerability assessments and internal control reviews were not completed and analyzed by the year's end; and (4) no formal requirements exist to review the reasonableness of proposed corrective actions or to test and evaluate their effectiveness after implementation.

Open Recommendations to Agencies

To correct accounting conformance problems and improve internal control in this area, the Secretary of State should direct the Under Secretary for Management and the Assistant Secretary for Ad-

ministration and Security to design and implement, at all domestic and foreign locations, a personal property accounting system that will conform to the Comptroller General's requirements.

Status: Action not yet initiated. State has not yet responded to the report.

To correct accounting conformance problems and improve internal control in this area, the Secretary of State should direct the Under Secretary for Management and the Assistant Secretary for Administration and Security to develop and implement procedures to ensure that inventories are taken and reconciled annually at all locations as required by State regulations, including conducting periodic supervisory visits. Moreover, Assistant Secretaries and office heads should be required to certify annually that inventories of personal property have been taken and reconciled at all headquarters, other domestic and foreign locations under their purview, or to explain why these inventories and reconciliations were not performed.

Status: Action not yet initiated. State has not yet responded to the report.

Foreign Economic and Financial Assistance Irrigation Assistance to Developing Countries Should Require Stronger Commitments to Operation and Maintenance

NSIAD-83-31, 08/29/83

Background

GAO reviewed the operation and maintenance (O&M) of U.S.-financed irrigation systems in Indonesia, Sri Lanka, and Thailand to determine how the Agency for International Development (AID) can:

(1) improve operation and maintenance practices of developing countries and extend the economic life of the irrigation systems; and (2) design irrigation systems that adequately consider O&M requirements.

Findings

GAO found that donors have demonstrated their concern with developing country food problems by investing in irrigation systems and other facilities. At the same time, they have not given

Foreign Economic and Financial Assistance Stricter Enforcement of Refugees' Transportation Loan Repayments Needed

NSIAD-85-56, 03/08/85

Background

GAO reviewed the Department of State's transportation loan program, which finances the transportation of refugees from temporary asylums overseas to the United States through a revolving loan fund administered by the Intergovernmental Committee for Migration (ICM) which is an international organization based in Switzerland.

Findings

GAO found that, before leaving their asylum countries, refugees sign interest-free promissory notes to repay their transportation costs. However, GAO found that, from 1951 through 1984, only about 20 percent of the amount loaned to refugees had been repaid. The low repayment rates have required State to replenish the revolving loan accounts with over \$30 million for additional appropriations in 1983 and 1984, and State has estimated that it will cost approximately \$50 million in 1985. Without significant changes in the repayment rates and annual refugee admissions, similar funding levels will be required to keep the program operational. GAO found that the low collection and repayment

rates have resulted from inefficient collection methods used by voluntary agencies and the lack of law enforcement. Although most voluntary agencies are improving their loan collection procedures and systems, they are still experiencing problems with maintaining current billing addresses for refugees due to their continual changes of residence. GAO found that the lack of enforcement has been due to the reluctance on the part of the parties associated with the program to enforce repayment of the debts. ICM has questioned the validity of the notes, and State and the voluntary agencies have been uncertain as to whom the debt is owed. Furthermore, many refugees either refuse to acknowledge their debt obligation or to make any payments. Therefore, GAO found that enforcement may require changes in the language and the administration of the loans.

Open Recommendations to Agencies

In addition to maintaining ongoing efforts to improve voluntary agency collection efforts, the Secretary of State should: (1) determine whether the current language of the promissory notes legally binds refugees to repay these loans; (2) if

the notes are considered legally binding, seek an agreement with ICM to assign its defaulted notes to State for collection; and (3) if the notes are not considered legally binding, revise future notes to ensure their legal effectiveness and allow for them to be assigned to State. In the event that existing and future promissory notes can neither be made binding obligations nor assigned for collection, State should consider changing the nature of its loan program so that the loans are made by State to the refugees.

Status: Action in process.

The Secretary of State should make sure that all U.S.-bound refugees are thoroughly briefed on their loan obligations and sign their promissory notes as early as possible prior to their departure to allow ICM sufficient time to provide the voluntary agencies with the documents needed for collection. In addition, agreements with the voluntary agencies must be changed to ensure that they: (1) establish loan criteria and milestones specifying when uncollected notes are delinquent and in default; and (2) submit to State for further action the names and addresses of those refugees whose loans become delinquent.

Status: Action in process.

Foreign Economic and Financial Assistance Providing Effective Economic Assistance to El Salvador and Honduras: A Formidable Task

NSIAD-85-82, 07/03/85

Background

In response to a congressional request, GAO reviewed U.S. economic assistance programs in El Salvador and Honduras to determine whether: (1) this assistance could be absorbed and administered effectively; and (2) the United States has been able to influence these countries to undertake economic policy reforms to promote long-term stabilization and growth.

Findings

GAO found that: (1) the Governments of El Salvador and Honduras lack institutional expertise to effectively administer large and complex projects and funds to finance their share of project costs; (2) the Agency for International Development (AID) has chosen assistance delivery techniques which permit quick disbursement of economic assistance and mini-

mize management burden; and (3) the effectiveness of economic assistance in El Salvador and Honduras depends largely on fundamental economic reforms. GAO also found that: (1) AID and the Department of State have not always included desired reforms in assistance agreements as planned and have disbursed funds even though required policy actions have not been taken; (2) AID has not been able to insist on more action because macroeconomic reform is not always the top U.S. priority; and (3) there is a need for more agreement on the degree to which U.S. balance-of-payments support should be used to bring about economic policy changes.

Open Recommendations to Congress

In view of the uncertainties on the extent of congressional support for macro-

economic reform efforts, Congress should provide an explicit statement of the relative importance it attaches to improved economic policies in these countries.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Administrator of AID, in consultation with the Secretary of State, should make and present to Congress a detailed analysis of the estimated costs to finance future balance-of-payments deficits in El Salvador and Honduras in the absence of macroeconomic reforms, particularly exchange rate adjustments.

Status: Action in process.

Foreign Economic and Financial Assistance The U.S. Economic Assistance Program for Egypt Poses a Management Challenge for AID

NSIAD-85-109, 07/31/85

Background

GAO reviewed the Agency for International Development's (AID) progress in assisting the Government of Egypt in developing its economy, including: (1) the conditions and constraints of establishing and administering the Economic Support Fund (ESF) program; and (2) the advantages and disadvantages of the current mode of providing ESF assistance and the possible alternative ways of disbursing this assistance.

Findings

GAO found that: (1) economic development progress has been somewhat limited by program conditions which AID had little control over; (2) some actions taken to support the political purpose of the program may not be of optimal value in working toward the longer term economic development goal; and (3) AID officials see that the political purposes place priority on visible and short-term results and tend to discourage a more rapid pace toward economic reform. GAO noted that it has been difficult for AID to influence the Government of Egypt to quicken its pace in making economic policy reforms

because: (1) AID lacks overall program funding leverage; and (2) the Government of Egypt is concerned that moving too quickly may be politically destabilizing. GAO also found that the large size of the project portfolio has: (1) made it difficult to administer the program; (2) challenged Egypt's ability to effectively absorb the large amounts of assistance; and (3) resulted in a large amount of obligated but undisbursed funds. GAO noted that AID could use nonproject program approaches such as cash transfers, sector grants, and commodity imports as alternative modes for some of the project

sufficient attention to the complementary institutional and financial costs of operating and maintaining the facilities. Donors have assumed that recipient countries would provide recurrent budget support to effectively operate and maintain projects, but this has not happened. AID has prepared a policy on recurrent cost financing, but the World Bank and Asian Development Bank have not. GAO believes that institutional as well as financial weaknesses affect the recipient countries' ability to effectively use and maintain irrigation systems, and found that many systems do not provide reliable water sources and have not become self-sustaining. GAO found that AID project designs have assumed that water user associations would be established to provide on-farm maintenance, ensure equitable water distribution, and maintain discipline among users. Generally, these assumptions have not been realized. Consequently, systems have been vandalized, water wasted or stolen, and routine maintenance ignored.

Open Recommendations to Agencies

The Administrator of AID should: (1) as an integral part of project planning

and as a condition for project approval, require that recurrent cost plans be developed in conjunction with recipient governments and other donors to recognize the principle of cost recovery from all beneficiaries; (2) project the annual life-of-system O&M costs; (3) identify the source of O&M funds and the funding options available to the country and the donors; (4) include specific plans to strengthen each recipient country's capability to budget for O&M funding and to account for O&M expenditures on a project basis; (5) institutionalize management monitoring and evaluation of plan implementation; and (6) encourage other donors to define their recurrent cost financing options. In addition, the Administrator should encourage the multilateral development banks to further define their recurrent cost financing options as they relate to future financing of irrigation project development.

Status: Action in process.

The Administrator of AID should adopt stronger design and construction criteria for improving O&M performance as standard prerequisites of approval for new irrigation and rehabilitation projects. The criteria should include: (1) quality assurance measures in design and con-

struction to ensure that local engineers and contractors take heed of technical advisors and require site visits during the design process; (2) the involvement of farmers in the planning, design, implementation, monitoring, and evaluation process; (3) priority consideration of O&M requirements during project design; and (4) appropriate transition between construction and O&M.

Status: Action in process.

The Administrator of AID should require from the host governments, before the construction of irrigation systems begin written certifications that: (1) active, viable water user associations have been established; (2) designers have met with association members, discussed their needs and system benefits, elicited their input into on-farm system design, and stressed that the on-farm system will be theirs and that they must operate and maintain it; (3) each association has submitted a written request for the system and has agreed to the on-farm O&M; and (4) local users, to the extent possible, will be used to help construct the on-farm portions of each project.

Status: Action in process.

Foreign Economic and Financial Assistance Direct Contracting by the Agency for International Development Can Be Better Managed

NSIAD-84-108, 07/09/84

Background

In response to a congressional request, GAO examined certain aspects of the Agency for International Development's (AID) management of direct contracting, including: (1) the extent of competition; (2) the adequacy and clarity of scopes of work issued by AID; (3) the extent to which overhead rates and other indirect costs are validated and efforts made to minimize them; (4) the extent to which the numbers and technical proficiency of contractor personnel and associated costs are held at the minimum levels

necessary to get the job done; and (5) the adequacy of AID monitoring and reporting of contractor progress.

Findings

For fiscal year 1982, AID reported \$16.8 million in noncompetitive contract awards exceeding \$100,000, not including amendments to existing contracts. GAO found that the total original awards increased by 61 percent through amendments. Amendments generally do not require competition; however, the circumstances that prompt the issuance of an amendment

may provide an opportunity for competitive procurement instead. GAO also found that the statements of work in 21 of 37 active contracts were vague, which delayed contract implementation and caused poor accountability. GAO review of selected audits of overhead costs in AID direct contracts indicated that overhead rates were being validated regularly and total questioned costs were not unreasonably high. GAO found that key personnel, promised at the time contracts were awarded, were not available for contract performance which also resulted in project delays and other detrimental ef-

fects. Finally, most contracts which GAO reviewed lacked performance indicators, and contractor progress reports tended to be generalized descriptions of project activities rather than assessments of actual versus planned performance.

Open Recommendations to Agencies

The Administrator, AID, should take action to better quantify, report, and monitor over time the amount of, and reasons for, amendments and other non-competitive actions. Actions should include: (1) using computer capabilities to

better quantify competitive and noncompetitive procurement actions by bureaus, missions, and offices; (2) using the information so developed to identify trends and monitor changes in competitive and noncompetitive performance and establish goals for improving competitiveness in AID contracting; and (3) identifying the factors that contribute to noncompetition, such as inadequate leadtime, and formulating actions to increase competition such as requiring project officers to plan adequate time for competition during project design and implementation and modifying personnel performance standards of project and contracting officers

to reduce or eliminate pressures that lead to noncompetitive procurements.

Status: Action in process.

The Administrator, AID, should: (1) develop and issue specific guidance on essential elements of adequate statements of work; (2) place greater emphasis on how to prepare scopes during training for project officers and others who prepare and negotiate contracts and monitor contractor performance; and (3) improve the availability of technical assistance, in-house or through qualified contractors, and leadtime to permit the design of well defined scopes.

Status: Action in process.

Foreign Economic and Financial Assistance Financial Management Problems in Developing Countries Reduce the Impact of Assistance

NSIAD-85-19, 11/05/84

Background

GAO determined how the Agency for International Development (AID), and other major donor assistance agencies, can better help to identify and meet the financial management training and technical assistance needs of aid recipients.

Findings

GAO found that AID and the other donors have not adopted policies or developed well-articulated and coordinated programs of assistance to improve host-countries' financial management systems. The donors have not: (1) analyzed the constraints of financial management as they affect the main sectors of development; or (2) formulated specific policies and programs to address major problem areas. Further, the lack of personnel

trained in basic accounting and related financial management functions has adversely affected development program performance in many of these countries.

Open Recommendations to Agencies

The Administrator of AID should begin a program for financial management assistance that establishes training priorities and mechanisms on a country-by-country basis and in a regional context, if appropriate.

Status: Action in process.

The Administrator of AID, through the U.S. delegation to the Development Assistance Committee of the Organization of Economic Cooperation and Development and its participation in Cooperation

for Development in Africa, should initiate donor discussions of the constraints of financial management weaknesses and their effect on the main sectors of development assistance programming. Such discussions should also encourage the World Bank's involvement in working with bilateral donors to: (1) discuss the extent to which donors can systematically emphasize improving host-country financial management capability when designing development assistance projects; (2) identify countries requiring major levels of donor training and technical assistance and formulate donor strategies accordingly; and (3) identify the elements of ongoing donor financial management assistance programs which offer potential for long-term replication.

Status: Action in process.

assistance; however, it is necessary for AID to objectively and thoroughly assess the various modes to determine the best mix for accomplishing program goals in Egypt.

Open Recommendations to Agencies

To support the AID continuing program design efforts and to assist the Govern-

ment of Egypt in its economic development, including any needed policy reform, the Administrator of AID should direct the Near East Bureau and the mission to: (1) perform the analyses necessary to provide in-depth knowledge of Egypt's development sectors and the policies that affect these sectors; and (2) assess the

development efforts agreed to and undertaken by the Government of Egypt in response to the provision of recently authorized cash transfers.

Status: Action in process.

Foreign Economic and Financial Assistance Financial and Management Improvements Needed in the Food for Development Program

NSIAD-85-105, 08/07/85

Background

Pursuant to a congressional request, GAO reviewed the Food for Development Program, which was set up under title III of the Agricultural Trade Development and Assistance Act of 1954. Under the program, the United States provides food aid to developing countries. If recipients sell the provided commodities and use the local currency proceeds to pay for agreed agricultural or rural development or health or family planning activities, the repayment obligations of the host country are forgiven. GAO evaluated title III programs in Bangladesh, Bolivia, and Senegal, focusing on procedures to forgive repayments, implementation of development projects, and adoption of policy reforms by the recipient countries.

Findings

GAO found that title III funds: (1) are not always deposited in special accounts or are commingled with other sources of recipient country revenue; (2) have been disbursed in excess of amounts budgeted, used to cover shortages in projects sponsored by other donors, or used for other questionable purposes; and (3) were sometimes insufficient for timely project implementation. GAO also found that the Agency for International Development (AID) is hampered in project monitoring because title III agreements do not specify discrete elements of projects which are eligible for support; (2) many recipient

countries have difficulty with project implementation because of a lack of experienced administrative personnel; and (3) in countries which also receive other forms of U.S. and other donor assistance, project implementation and monitoring problems can be more severe because of the additional administrative burden imposed on AID missions and recipient governments. In addition, GAO found that: (1) title III project implementation can be hampered by recipient country policies that inhibit or influence local economies; (2) in Bolivia, planned agricultural and social changes were precluded by political and economic changes; (3) in Senegal, while some improvements were made to regional development organizations and farmer cooperatives, little progress was achieved in resource conservation or commodity marketing and pricing reforms; and (4) in Bangladesh, title III has helped to implement agricultural reforms.

Open Recommendations to Agencies

The Administrator of AID should direct the missions to work with host countries to establish systems which properly account for receipts and disbursements of title III local currencies. Special accounts should be a central mechanism of such systems.

Status: Action not yet initiated. AID has not yet submitted its position on this recommendation.

The Secretary of Agriculture should direct that deliberations on approving title III agreements and annual commodity deliveries ensure that adequate accounting systems are in place or are being developed before approval is granted.

Status: Action in process.

The Administrator of AID should direct that title III proposals describe the extent to which: (1) recipient countries can adequately implement, manage, and staff additional development activities and, if recipients lack effective institutions and adequate and trained personnel, proposals should describe how title III will specifically overcome these impediments; and (2) AID missions can adequately monitor additional project implementation activities.

Status: Action not yet initiated. AID has not yet submitted its position on this recommendation.

The Administrator of AID should direct that requests for title III funds to support other donors' projects identify discrete activities which will receive title III support, and how local currency expenditures and project implementation will be monitored. Expenditures should be traceable to specific project activities.

Status: Action not yet initiated. AID has not yet submitted its position on this recommendation.

The Secretary of Agriculture should direct that, before approval of annual commodity deliveries: (1) progress is being achieved in implementing development projects; or (2) evidence shows that problems hampering implementation are being addressed.

Status: Action in process.

The Secretary of Agriculture should direct that before approving annual commodity deliveries, either: (1) progress is being achieved in adopting agreed policy

reform; or (2) evidence shows that problems hampering progress are being addressed.

Status: Action in process.

Foreign Economic and Financial Assistance

AID Recognizes Need To Improve the Foreign Economic Assistance Planning and Programming Process

NSIAD-85-110, 08/28/85

Background

GAO reviewed the Agency for International Development's (AID) foreign economic assistance planning and programming process to determine whether opportunities exist for AID to streamline and improve the process.

Findings

GAO found that: (1) an AID task force recommended that AID devote more time to policy, strategy, and program supervision and less time to project design and review; and (2) AID will not implement the recommendation until the conclusion of an experiment designed to test new procedures. Most AID missions submit an annual country development strategy statement, and AID uses this statement to evaluate mission budgets and project proposals. AID regulations require missions to obtain strategy approval before submitting annual budgets. GAO found that: (1) less than half of the full strategy statements it reviewed resulted in approval before the deadline for annual budget submissions; (2) a number of missions have operated indefinitely without approved strategies;

(3) AID has limited flexibility to adjust mission budget proposals, which makes missions reluctant to reject or modify project proposals or submit alternative proposals; and (4) AID usually addresses programming decisions in the project review cycle rather than in its budget process. In addition, GAO found that: (1) AID headquarters project reviews rarely raise new issues and frequently contain details more appropriately addressed by project identification documents; and (2) some AID missions do not have sufficient staff resources or technical expertise to review and approve project identification documents.

Open Recommendations to Agencies

The Administrator of AID should implement the approved task force recommendation that country development strategy statements remain in effect for up to 4 years unless changing conditions necessitate a new strategy.

Status: Action in process.

The Administrator of AID should encourage missions to submit alternative project proposals, particularly when missions are expanding activities, to give AID flexibility in making programming decisions.

Status: Action in process.

The Administrator of AID should request missions to provide sufficient information to enable AID to assess a project's consistency with approved strategies.

Status: Action in process.

The Administrator of AID should ensure that annual budget submission review results are promptly communicated to missions for guidance and use in subsequent project design and development.

Status: Action in process.

The Administrator of AID should apply the successful project review components of the Asia Bureau experiment to other regional bureaus and missions on a case-by-case basis, while recognizing the varying capabilities of missions to exercise increased project approval authority.

Status: Action in process.

Foreign Information and Exchange Activities

Data Collection Under the International Agreement on Government Procurement Could Be More Accurate and Efficient

NSIAD-84-1, 10/25/83

Background

The trade data system, established to collect data on U.S. Government procurement activity under the international Agreement on Government Procurement, is not functioning properly. Since the development of a system capable of collecting precise data would be difficult, the system collects approximate information on procurements covered by the agreement. However, the system did not perform even up to its limited capabilities in developing the 1981 data. It developed information that significantly overvalued covered procurements and did not fully report other essential information. Given the limited resources available and the low priority the collecting agencies place on the trade data system, GAO suggested to agency officials that they could best improve the accuracy and efficiency of this data collection effort by abolishing the trade data system and using the Federal Procurement Data System (FPDS)

to collect this data. The agencies have taken steps toward implementing this suggestion.

Findings

GAO found that the trade data system is capable of collecting only approximate individual contract information and assigns one product and one agency to each contract, regardless of the number of different products and agencies involved. Thus, the system does not precisely reflect procurement under the agreement. In addition, although agencies report information into the system on a contract basis, they are required to implement the agreement on a product-by-product basis, determining whether to use the agreement procedures or to apply Buy American price preferences. Reported contracts could also contain both purchases covered by the agreement and those not subject to it. Therefore, the data system may overvalue covered U.S.

Government procurements. GAO found that, due to a lack of resources and data processing guidelines, the system did not perform using 1981 data. In addition, agencies did not have adequate incentives to properly collect and submit these data.

Open Recommendations to Agencies

The Director of OMB should direct the Administrator of OFPP to work with the Office of the U.S. Trade Representative, the Federal Procurement Data Center, and the FPDS Policy Board to revise the current reporting regulations to give agencies unable to collect accurate letter report information guidance on acceptable methods for estimating this information.

Status: Action in process. Estimated completion date: 12/85

Foreign Information and Exchange Activities

Improved Oversight Can Reduce Broadcast Violations at Radio Free Europe/Radio Liberty

NSIAD-85-93, 06/24/85

Background

In response to a congressional request, GAO evaluated Radio Free Europe and Radio Liberty's (RFE/RL) broadcast controls and the Board for International Broadcasting's (BIB) program oversight activities.

Findings

GAO found that, since 1982, new RFE/RL management has made several changes to improve staff morale, enhance journalistic independence, and improve program quality. Under these changes, some program controls have been relaxed or eliminated. In place of pre-broadcast script review, more reliance is placed on those responsible for preparing and airing the broadcasts and on post-broadcast

evaluations to ensure guideline compliance. These changes have the effect of lessening management's direct involvement in programming. Post-broadcast analysis has identified 18 potential violations in the first 8 months of 1984 and questioned the airing of 29 additional programs. GAO found that controls for averting violations are hindered by: (1) not having a senior-level focal point to ensure policy compliance; (2) lack of communication on policy guidance; (3)

noncompliance with instructions; (4) staff shortages; and (5) the lack of a system for tracking violations and ensuring corrective action. GAO also found: (1) little documentation of BIB oversight activities; (2) that BIB had not effectively used its staff to assist in program oversight; and (3) that coordination with outside sources of feedback on programs has decreased. In addition, BIB has not revised its regulations to reflect its federal oversight and the members' corporate responsibilities.

Open Recommendations to Agencies

The Chairman of BIB, working with the Board, should have the President

of RFE/RL ensure that the Broadcast Analysis Department is adequately staffed to provide postbroadcast evaluation on all RFE/RL services.

Status: Action in process.

The Chairman of BIB, working with the Board members, should define the BIB program oversight goals and revise regulations governing these and other activities.

Status: Action in process.

The Chairman of BIB, working with the Board members, should determine and

clarify the role of the BIB staff in fulfilling the federal oversight responsibility. As part of this responsibility, BIB should consider establishing a formal system to review, evaluate and, when appropriate, respond to all reported broadcast violations or questions regarding broadcast practices.

Status: Action in process.

The Chairman of BIB, working with the Board members, should develop an annual plan which incorporates the needs of both BIB and RFE/RL when using outside consultants to evaluate RFE/RL broadcast services.

Status: Action in process.

Military Assistance

Defense Department's Management of Property Leased to Foreign Governments Is Still Inadequate

ID-83-6, 11/23/82

Background

GAO reviewed leases of defense property to foreign governments, in conjunction with a 1981 report, to determine whether the leases complied with the provisions of the Arms Export Control Act.

Findings

GAO found that the financial management and monitoring of leased property is in-

adequate and that congressional notification requirements are not being fully met. As a result, Congress is not being provided information needed for effective oversight, and thousands of dollars in lease costs are not being recovered. In addition, GAO found that there is little monitoring of the use of leased property and, in some instances, the property has not been returned at the expiration of a lease.

Open Recommendations to Agencies

The Secretary of Defense should require that DSAA work with the military departments, military advisory groups, the State Department, U.S. Embassies overseas, and Congress to resolve the problem of unreturned property.

Status: Action in process. Estimated completion date: 02/86

Military Assistance

Design and Operation of Special Defense Acquisition Fund Can Be Improved

NSIAD-85-18, 01/15/85

Background

In response to a congressional request, GAO reviewed the management of Special Defense Acquisition Fund (SDAF) resources to: (1) determine whether SDAF has been meeting its objective of decreasing the delivery time needed to provide defense articles to foreign

recipients under the Foreign Military Sales program; and (2) identify management and legislative policy issues that need to be addressed.

Findings

GAO found that, after the first 2 years of operation, the SDAF sales experi-

ence was quite limited and, by placing SDAF purchase orders 1 to 2 years before signing sales agreements, SDAF reduced the delivery time for these sales. The effectiveness of SDAF depends on the Defense Security Assistance Agency's (DSAA) ability to predict foreign demand, because SDAF appropriations are made

available for obligation on a 1-year basis and can only be obligated in the year they are appropriated. GAO found that many problems could be eliminated by making appropriations available for 3 years. When SDAF sales are made its inventory declines; however, DSAA must wait until a subsequent appropriation act is passed to use these sales proceeds and, currently, the size of the SDAF annual appropriation is limited to the difference between SDAF equity and the authorization ceiling. When an item is withdrawn from the inventory, military readiness is often degraded while the services wait for inventories to be replenished. While SDAF can only purchase equipment that is releasable to

foreign countries at the time the contract is awarded, GAO believes that the releasability predictions are speculative because decisions on releasability take place subsequent to the procurement and require the approval of several different departments. There are also risks that, in using SDAF to purchase older generations of equipment, SDAF may have to sell the unused equipment to U.S. services, even though it is out-of-date for U.S. use.

Open Recommendations to Congress

Congress should consider allowing 3-year obligation authority for amounts made

available to SDAF through appropriation accounts.

Status: Action in process.

Congress should consider allowing SDAF to obligate the proceeds of a sale in the year in which the sale is made, stipulating the amount to be made available in an annual appropriation act.

Status: Action in process.

Congress should consider amending the Arms Export Control Act to allow DSAA to purchase advanced systems not releasable to foreign countries.

Status: Action not yet initiated.

Military Assistance

Transfer of Interest of U.S. Investment in the Panama Canal

AFMD-85-63, 06/19/85

Background

Pursuant to a congressional request, GAO reviewed the cash flow requirements of the Panama Canal Commission to determine the most appropriate repayment schedule for interest earned on the U.S. Government's investment in the Canal.

Findings

GAO noted that legislative history indicates that the Commission should transfer interest collections to the general fund of the U.S. Treasury, which would: (1) reduce the Commission's available fund balance and increase the general fund of the Treasury; (2) increase general fund revenue which is available for other appropriations; and (3) prevent a future buildup of collections in the Panama Canal Commission Fund. GAO also found that: (1) some obligations were being recorded at the beginning of each fiscal year that did not need to be recorded;

(2) repayment of the interest would be possible in 1986 without detrimentally affecting Canal operations; (3) there was no potential for a shortfall of obligational authority; and (4) after the Commission transferred the interest to the Treasury, it would still have sufficient cash to cover its needs if it were to draw upon the balance being held from its original appropriation. GAO noted that the Commission could obligate an amount at any time up to the balance in the Fund as long as the obligation did not exceed its annual appropriation. GAO found that:

(1) the obligation to pay \$20 million to the Republic of Panama each year for the life of the Panama Canal Treaty should have been recorded at the time the commitment was made; (2) the Commission only has authority to incur obligations during a single fiscal year; and (3) there is no need for the Commission to retain the interest collected.

Open Recommendations to Congress

In the fiscal year 1986 Panama Canal appropriation legislation, Congress should require that \$56.3 million collected as of April 30, 1985 plus interest collected during the remainder of fiscal year 1985 be transferred from the Commission's Fund to the general fund of the U.S. Treasury by October 1, 1985, or shortly thereafter.

Status: Action in process.

In the fiscal year 1986 Panama Canal appropriation legislation, Congress should require that future interest earned be transferred annually to the general fund of the Treasury to prevent accumulation of interest in the Commission's Fund.

Status: Action in process.

Multiple Functions

Congress Should Consider Revising Basic Corporate Control Laws

PAD-83-3, 04/06/83

Background

GAO reviewed the basic corporate control laws in the context of the accountability of government corporations and identified deficiencies in the application of these controls.

Findings

Because many corporations have been established outside the purview of these laws, they no longer provided the effective controls that Congress intended. In examining the accountability controls that are specified in 31 U.S.C. 9101-9109 and in the individual corporations' enabling legislation, GAO found that current controls, including financial audit, budget reporting and review, and Treasury financial control, are not uniformly applied. Other controls such as program audit and oversight and on-budget reporting are not addressed. These provisions of law distinguish between wholly owned and mixed-ownership corporations which provide a mechanism for applying accountability controls. The mechanism is conceptually sound; however, there are some deficiencies in its application. The laws do not define government corporations aside from the wholly owned and mixed-ownership corporations. Additionally, the law does not provide a classification or controls for these corporations. These deficiencies create confusion and weaken accountability. GAO believes that, while a broad range of

federal accountability controls is needed for these corporations, standard definition and classification criteria are essential if the controls are to be developed appropriately and applied consistently and effectively.

Open Recommendations to Congress

Congress should consider revising title 31, section 9105, of the U.S. Code to cover predominately private corporations when federal financing has been used.

Status: Action not yet initiated.

Congress should consider amending title 31, section 9101, of the U.S. Code to include a definition that describes government corporations and a list of their common powers or attributes.

Status: Action not yet initiated.

Congress should consider establishing uniform accountability standards for government corporations, including a definition, classification criteria, and general accountability standards for all government corporations. This could be done by revising the basic corporate controls, 31 U.S.C. 9101-9109.

Status: Action not yet initiated.

Congress should consider granting authority for annual audits or GAO review

of annual CPA audits to ensure consistency with standards.

Status: Action not yet initiated.

Congress should consider expanding 31 U.S.C. 9105 or adding a new provision of law to provide for periodic program review of these congressionally authorized programs. The revision could also require submission of annual reports to Congress for all corporations.

Status: Action not yet initiated.

Congress should consider the need for on-budget reporting of financial transactions for all corporations receiving federal capital, appropriations, or borrowing. Sections 9103 and 9104 of 31 U.S.C. could be revised to provide for congressional review of the budgets of mixed federal/private and predominately private corporations receiving federal financing in addition to those of predominately federal corporations.

Status: Action not yet initiated.

Congress should consider the applicability of sections 9107 and 9108 of 31 U.S.C. to all government corporations. Currently, Treasury approval of accounts and security obligations only applies to 24 of the 47 government corporations listed in the GAO inventory.

Status: Action not yet initiated.

National Defense

Improved Guidance Could Result in More Cost-Effective Sizing of Military Medical Facilities

HRD-85-32, 12/31/84

Background

GAO assessed the adequacy of the military services' economic analyses used in estimating the proper inpatient capacities for four proposed military medical facilities after taking into account the available medical care alternatives and projected inpatient workloads.

Findings

GAO found that the services contracted with outside firms to conduct the economic analyses for the design plans, which are the basis for hospital construction review and approval. Although federal regulations provide that the Department of Defense (DOD) should consider all reasonable and available medical care treatment alternatives in these analyses, GAO found that, of the

four analyses reviewed, only one analysis considered available beds at a nearby DOD facility, and that analysis did not take into account the facility's declining inpatient workload. GAO found that DOD guidance is needed on the development of workload projections. The four economic analyses assumed that the medical facilities' inpatient workloads would increase because the local beneficiary population was increasing. However, workloads at the four facilities have declined because more care is being provided on an outpatient basis, and the lengths of hospital stays have been declining. The lack of realistic inpatient projections was a key factor in the disapproval of one hospital construction plan. Finally, GAO found that, although economic analyses are often prepared several years before facility design and funding, DOD does not require economic analyses to be updated to reflect the most current data.

Open Recommendations to Agencies

Before approving proposals for construction or alteration of DOD medical facilities, the Assistant Secretary of Defense, Health Affairs, should ensure that the services have complied with the provisions of P.L. 97-337 and DOD Directive 6015.5 regarding consideration of underused capacity at nearby military medical facilities. The Assistant Secretary of Defense, Health Affairs, should also issue guidance to the military services on the methods to be used for developing workload projections based on historical trends adjusted for factors, such as potential workload changes expected as a result of anticipated changes in the facilities' missions, that demonstrate the trends are not good predictors of future workload.

Status: Action in process. Estimated completion date: 04/86

Potential for Excess Funds in DOD

NSIAD-85-145, 09/03/85

Background

Pursuant to a congressional request, GAO reviewed the Secretary of Defense's offer to reapply \$4 billion from fiscal years 1984 and 1985 appropriations to the 1986 defense budget to determine whether there were: (1) excess funds in the Department of Defense's (DOD) budget; (2) reprogramming actions and lapsing balances; and (3) possible alternatives to the current inflation compensation system.

Findings

GAO found that DOD had requested its budget authority based on estimates of inflation and has been unable to use the appropriated funds at those estimated rates. Since 1982, DOD has budgeted \$36.8 billion more than was needed to cover inflation and used a special multiplier for major weapons which accounted for \$9.2 billion of that amount. Three alternatives were considered to the current system for dealing with inflation. GAO believes that budgeting for inflation through a revolving fund would be difficult because of technical, managerial,

measurement, and monitoring problems. It would also be difficult to not budget for inflation since defense programs take several years to implement and it is difficult to distinguish the effects of inflation from the effects of program changes. GAO believes that the best alternative would be to improve the present inflation estimating system because DOD could: (1) eliminate the special multiplier for weapons systems; (2) use the gross national product (GNP) deflator for all nonpay and nonfuel purchases; and (3) decide how amounts should be distributed within its budget structure. GAO

found that: (1) DOD had underestimated the level of unobligated balances because it was unable to achieve its planned obligation rates; and (2) reprogramming actions provided DOD with the flexibility to reapply funds in excess of program needs. However, GAO could not determine the amount of excess funds still available since DOD did not have an integrated accounting system that could routinely produce relevant financial information.

Open Recommendations to Agencies

The Secretary of Defense should take the following actions: (1) continue to use the GNP deflator as the basic index for DOD inflation budgeting for the portion of the DOD purchases other than pay and fuel; (2) eliminate the use of a multiplier in budgeting inflation for the major weapon systems accounts; (3)

distribute the funds budgeted for inflation among the various DOD appropriations accounts in consultation with the Office of Management and Budget; and (4) monitor any annual inflation dividends or shortfalls that occur and report the latest information to Congress at the critical stages in the budget process.

Status: Action in process.

DOD Should Restructure the March Air Force Base Test of Veterans Administration-Developed Software

IMTEC-85-14, 09/11/85

Background

GAO reported on its review of the Tri-Service Medical Information System Program established by the Department of Defense (DOD) to consolidate Army, Navy, and Air Force efforts in developing computer systems for their hospitals and clinics. GAO specifically addressed the DOD test of the Veterans Administration's (VA) software at March Air Force Base (AFB), California.

Findings

GAO found that the Composite Health Care System (CHCS) was the most costly and complex of four health care computer systems that DOD planned to acquire. VA had already established the Decentralized Hospital Computer Program to support its hospitals and other facilities

in the same functions as those in the CHCS, although CHCS would provide features not currently available with the VA software. In October 1984, Congress, concerned about the substantial sums required for the CHCS procurement, questioned the validity of the VA software evaluation initiated by DOD and directed DOD to proceed with the testing of the VA software at March AFB to determine its feasibility and cost-effectiveness. GAO found that the test's proposed scope was too narrow to provide the necessary information, since DOD was not planning to test all the available software modules available in the VA system. DOD was reluctant to expand the test, claiming that it had satisfied congressional concerns that the VA software be fairly evaluated by including in the CHCS procurement process a requirement that one of the initial vendors adapt the VA software to

meet the CHCS specifications. GAO disagreed, concerned that the vendor would be required to modify the VA software to meet CHCS specifications, adding cost and complexity to the resulting system. GAO found that an adapted VA system could become the basis for obtaining an alternative health-care computer system if the CHCS procurement should exceed approved funding levels or face long delays.

Open Recommendations to Agencies

DOD should expand the March AFB test to include adapting all available VA software modules at their current functional levels.

Status: Action in process.

Defense-Related Activities

Opportunities Exist To Reduce Operating Costs of the Department of Defense Overseas Dependents Schools

HRD-82-86, 08/26/82

Background

GAO reviewed the opportunities for savings in the teacher substitution and pupil transportation programs in the Department of Defense Dependents Schools (DODDS) system.

Findings

Department of Defense (DOD) policy states that teachers who reside in the United States should be hired only if vacancies cannot be filled by transferring currently employed teachers or by hiring locally. However, a large number of substitute teachers are needed and local applicants constitute the only source to meet demand. As a result, some principals are reluctant to hire local applicants as full-time teachers. The high demand for substitutes is attributable primarily to the tightly structured rules covering accumulated leave-time among teachers which causes them to take their maximum earned leave-time to avoid forfeiting it. Hiring teachers in the United States is substantially more costly than hiring teachers locally; therefore, restructuring the leave-time regulations would lead to a decline in the need for substitutes so that more local applicants could be available for hire as full-time teachers. DODDS has budgeted approximately \$37 million for pupil transportation in fiscal

year 1982. GAO found that military installation commanders, who are responsible for providing pupil transportation, have not made cost comparisons and other analyses to ensure that the most economical busing services are used. GAO believes that until the military services undertake these cost-effective analyses, cost savings in busing services will not be realized. GAO concluded that savings to DODDS could be achieved by reducing the demand for substitute teachers and identifying the most economical mode of pupil transportation.

Open Recommendations to Agencies

The Secretary of Defense should require the Director of DODDS to establish and maintain a data base on the numbers of: (1) available and qualified local applicants who are dependents of DOD military and U.S. Government civilian personnel; and (2) teacher vacancies filled by local applicants who are dependents of DOD military and U.S. Government civilian personnel overseas.

Status: Action in process. Estimated completion date: 01/86

The Secretary of Defense should: (1) ensure that busing cost comparisons and other analyses are performed in all overseas communities where students

are bused to DODDS and that military communities forward the results of the analysis to DODDS regions along with explanations, if the lowest cost alternative is not selected; (2) instruct the military departments to consider structuring contracts for pupil transportation services to allow competition by smaller companies and using multiyear contracting where it promises to reduce the cost of busing to the U.S. Government; and (3) ensure that military communities providing pupil transportation services submit complete and accurate quarterly cost reports to DODDS as required by the DOD Manual.

Status: Action in process. Estimated completion date: 01/86

The Secretary of Defense should require the Director of DODDS to ensure that regional offices develop an information base and commit the resources necessary to: (1) review cost comparison and other studies and coordinate with the military communities to resolve differences in approach or methodology; and (2) analyze and compare cost data from communities to identify unusually high contract or in-house costs per mile, per bus, or per student.

Status: Action in process. Estimated completion date: 01/86

Defense-Related Activities

Further Improvements Needed in Department of Defense Oversight of Special Access (Carve-Out) Contracts

GGD-83-43, 02/18/83

Background

GAO completed a review of the security requirements and administration of Department of Defense (DOD) carve-out contracts as part of its continuing review of national security information. Carve-out contracts are those special access contracts for which the Defense Investigative Service (DIS) has been relieved of security inspection responsibility and the cognizant DOD component is responsible for security inspections and administration.

Findings

GAO found that an ever-increasing number of carve-out contracts has become

a problem for contractor security administrators because the contracts result in a multiplicity of security requirements, in addition to those prescribed by the DOD Industrial Security Manual. The exact number of carve-out contracts is unknown, but GAO estimated that there are probably several thousand such contracts; some contracts were given carve-out status for reasons other than security, and other carve-out contracts were not inspected by anyone.

Open Recommendations to Agencies

The Secretary of Defense should: (1) issue instructions that will require ad-

vance DOD approval of contractors' requests for special access authorizations for employees who will be working on nonsensitive compartmented information special access contracts; (2) direct DIS to return to contractors any requests for special access authorizations that do not contain the advance approval of the cognizant DOD component; and (3) remind DOD components of their responsibility to review and approve, in a timely manner, contractor nominees for all special access authorizations.

Status: Action in process. Estimated completion date: 12/85

Defense-Related Activities

Consolidation of Federal Assistance Resources Will Enhance the Federal/State Emergency Management Effort

GGD-83-92, 08/30/83

Background

GAO discussed the Federal Emergency Management Agency's (FEMA) need for consolidation of federal assistance resources for emergency management and reviewed the agency's Comprehensive Cooperative Agreement (CCA) initiative.

Findings

A total of 15 separate FEMA categorical planning and preparedness programs were funded at \$83 million in fiscal year 1982 and \$90 million in 1983. GAO believes that the fragmentation spawned by most of these 15 programs frustrates states' full achievement of national emergency management or civil defense goals. The programs are too often narrowly defined

and states cannot transfer funds between them. GAO stated that the categorical assistance structure promotes costly and inefficient program administration. Specifically, GAO found that categorical programs encourage states to perform overlapping planning and to duplicate emergency management activities. States sometimes overcame the categorical restrictions by undertaking a comprehensive and coordinated management effort. However, these practices could be curtailed if FEMA requirements were strictly enforced. In recognition of the constraints of the categorical structure, FEMA initiated the CCA, which gives states discretion in achieving program objectives. While the CCA limits the ability of FEMA to hold states accountable for categorical programs, FEMA is still held accountable

by Congress for spending appropriated funds in the categorical manner. GAO believes that a consolidated assistance program that retains state accountability for achieving federal objectives would enhance the effectiveness and efficiency of the federal/state emergency management effort.

Open Recommendations to Agencies

The Director, FEMA, should prepare a legislative proposal to remove statutory restrictions which currently prevent or complicate the consolidation of related planning and preparedness programs.

Status: Action in process.

Defense-Related Activities

Navy Can Improve Management of Shipyard Labor Resources Through Better Work Measurement Practices

NSIAD-84-96, 04/24/84

Background

GAO reviewed the adequacy of the Navy shipyard work measurement and cost accounting systems.

Findings

GAO has previously reported that the Navy needed to improve its work measurement and cost accounting systems to effectively control rising labor costs. Although the Navy has taken some corrective action, GAO found that, overall, the Navy has given work measurement and labor costing low priority. As a result, many problems still exist, including: (1) improper documentation of labor standards; (2) lack of justification by shipyard planners for increased work time allowances; and (3) incorrect application of standards for determining estimated job costs. Further, personnel responsible for monitoring employee labor-charging activities have not been able to determine the extent of time mischarged, and individuals administering work measure-

ment and cost accounting activities have not been held fully accountable for their performance. The Naval Sea Systems Command (NAVSEA) has issued instructions emphasizing the need to implement effective work measurement systems and ensure accurate time charges for shipyards and has initiated programs to identify problems with estimating procedures and labor charging. However, progress toward these goals has been impeded by various problems, including the lack of a firm commitment by management to operating and maintaining a viable work measurement system and a lack of staff to effectively administer work measurement activities. GAO stated that, although it is difficult to estimate the impact of these weaknesses on labor costs, studies have shown that millions of dollars can be lost through low productivity.

Open Recommendations to Agencies

The Secretary of the Navy should direct the Commander, NAVSEA, to: (1) es-

tablish an improved work measurement system by ensuring that labor standards are properly set, supported, and used in calculating "should cost" allowances; (2) identify and provide the staff required to effectively administer work measurement programs and to do work measurement studies; and (3) develop training policies and plans which improve the skills required of those who administer, develop, and upgrade shipyard labor standards.

Status: Action in process. Estimated completion date: 12/85

The Secretary of the Navy should direct the Commander, NAVSEA, to implement stronger controls to validate the accuracy of labor-charging practices by making sure that labor checks are done more frequently, are done in the prescribed format, and are used to help management correct problems, such as those relating to rework and lost time.

Status: Action in process. Estimated completion date: 12/85

Defense-Related Activities

Improved Controls Needed Over Waivers of the Armed Services Exchange Regulations

NSIAD-85-72, 05/13/85

Background

In response to a congressional request, GAO determined whether the post exchange at Mountain Home Air Force Base, Idaho, is selling major home appliances contrary to the intent of law and applicable federal regulations.

Findings

GAO found that the post exchange is acting within its authority under existing military regulations because it is considered isolated with respect to the availability of these products and is entitled to a waiver of post exchange regulations. However, since there are now six retailers of home appliances within 11 miles of the base, the classification of

the base as isolated is questionable. GAO found that post exchange regulations do not provide sufficient guidance on how to determine what constitutes adequate availability of commercial facilities. Furthermore, federal regulations do not require the submission of current data to support the annual revalidations of the initial waiver request. Finally, GAO found that the regulations do not require pe-

riodic audits of the initial waiver and subsequent revalidation processes.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretaries of the Army and Air Force to amend their joint exchange regulations.

Status: Action in process. Estimated completion date: 12/85

The Air Force and the Army should amend the Army and Air Force Exchange Service Operating Policies to provide more specific guidance for determining

the availability of commercial shopping facilities and evaluating their adequacy.

Target: Department of the Air Force

Status: Action in process.

Target: Department of the Army

Status: Action in process.

The Army and the Air Force should consider amending the Army and Air Force Exchange Service General Policies to require periodic audits of the initial Armed Services Exchange Regulations waiver and revalidation processes by the appropriate service audit organization.

Target: Department of the Air Force

Status: Action in process.

Target: Department of the Army

Status: Action in process.

The Secretary of the Air Force should closely review the 1985 revalidation of the Armed Services Exchange Regulations waiver authorizing the base exchange at Mountain Home Air Force Base to continue to sell major home appliances.

Status: Action in process.

Defense-Related Activities

Department of Defense's Progress in Implementing the Federal Managers' Financial Integrity Act

NSIAD-85-147, 09/27/85

Background

GAO reviewed the Department of Defense's (DOD) efforts to implement and comply with the Federal Managers' Financial Integrity Act, which is aimed at strengthening management controls and accounting systems.

Findings

GAO found that DOD has established a basic framework to allow for implementation of the act, but its management controls evaluation program has not progressed to the point where it can provide an adequate basis for drawing conclusions about overall DOD compliance with the act because: (1) a number of portions of the overall evaluation program are not yet operational; (2) DOD has not identified and reported some material weaknesses as departmentwide conditions; (3) there is a wide variance in the specificity of material weaknesses

reported by DOD components; and (4) the Office of the Secretary of Defense (OSD) does not have an adequate ability to recognize systemic weaknesses. In addition, GAO found that DOD did not have an adequate basis for reporting that its accounting systems were in conformance with the act and the Comptroller General's requirements for accounting systems because it: (1) only performed limited transaction testing for a small number of its accounting systems; (2) has not issued an accounting systems evaluation policy directive or timely reporting instructions to its components; and (3) does not have a tracking system to ensure that timely and corrective actions are taken in response to reported material weaknesses.

Open Recommendations to Agencies

The Secretary of Defense should assign key OSD officials responsibility for certify-

ing the adequacy of internal management controls within their functional areas. The designated officials should then consider adopting either the Army or the Air Force process for functional managers to use in determining the operational adequacy of controls within their areas of responsibility.

Status: Action in process.

The Secretary of Defense should implement a policy directive for evaluating accounting systems' conformance with the Comptroller General's requirements. As a minimum, the directive should establish the objectives, criteria, methodology, testing and documentation requirements, and reporting deadlines for DOD components' accounting systems evaluation programs.

Status: Action in process.

Defense-Related Activities

Defense Logistics Agency's Progress in Implementing the Federal Managers' Financial Integrity Act

NSIAD-85-148, 09/27/85

Background

GAO reviewed the Defense Logistics Agency's (DLA) continuing efforts to implement and comply with the Federal Managers' Financial Integrity Act of 1982 (FIA).

Findings

GAO found that: (1) DLA has made progress toward implementing a program for evaluating its systems of internal accounting and administrative controls, but the program experienced developmental problems that delayed full implementation; (2) several significant management control problems were not identified during the evaluation process; (3)

the evaluation of DLA accounting systems did not include testing systems in operation; (4) the limited involvement of DLA headquarters elements hampered full disclosure of all material weaknesses; and (5) DLA needs to improve its approach for evaluating automatic data processing (ADP) internal controls. GAO also found that: (1) DLA did not have an adequate basis for reporting that its accounting systems were in conformance with Comptroller General requirements because of the lack of review of those systems in operation; (2) 48 percent of all contract disbursements were performed manually which increased the risk of over or underpayments to contractors; (3) additional deficiencies were not reported;

(4) corrective actions were mostly long range and dependent on a proposed ADP equipment replacement program; and (5) the DLA evaluation system has not been developed to the point that it can provide a sufficient basis to ensure the requirements of the act have been met.

Open Recommendations to Agencies

The DLA accounting systems should not be reported as being in conformance with the Comptroller General's requirements until the systems are reviewed and tested in operation and the major deficiencies are corrected.

Status: Action in process.

Defense-Related Activities

Army's Progress in Implementing the Federal Managers' Financial Integrity Act

NSIAD-85-149, 09/27/85

Background

GAO reviewed the Army's compliance with the Federal Managers' Financial Integrity Act to: (1) determine whether actions taken by the Army as a result of the act are improving its internal controls and accounting systems; (2) evaluate the Army's progress in implementing its internal controls and accounting systems; and (3) assess the adequacy of the Army's basis for determining that the requirements of the act have been met.

Findings

GAO found that: (1) the commitment of Army managers to the goals of the act is evidenced by the large number of material weaknesses reported by a variety of Army sources; (2) many of

the material weaknesses identified by the Army are program- or location-specific; and (3) Army managers appear to be taking corrective actions to correct reported material weaknesses. However, GAO also found that the Army has had difficulties in evaluating compliance with the act because of: (1) inconsistent and unclear field evaluation guidance; (2) the lack of supporting documentation for vulnerability assessments; and (3) the Army's failure to provide guidance on what organizational units should be evaluated. In addition, GAO found that the Army's reviews of its accounting systems were inconsistent and incomplete and did not provide an adequate basis for reporting that certain accounting subsystems were in conformance with the Comptroller General's standards for accounting systems.

Open Recommendations to Agencies

The Secretary of the Army should direct that a comprehensive tracking and follow-up system be established and used to ensure correction of accounting systems deficiencies before the systems are reported in conformance.

Status: Action in process.

The Secretary of the Army should direct that the civil works accounting system not be reported as in conformance until known system problems are corrected and the related civilian pay system is brought into conformance.

Status: Action in process.

Defense-Related Activities

Navy's Progress in Implementing the Federal Managers' Financial Integrity Act

NSIAD-85-150, 09/27/85

Background

GAO reviewed the Navy's efforts to implement and comply with the Federal Managers' Financial Integrity Act, focusing on: (1) the Navy's progress in implementing its program for evaluating internal controls; (2) whether actions taken by the Navy under the act are improving internal controls and accounting systems; and (3) the adequacy of the Navy's basis for determining that its accounting systems meet the act's requirements and conform with the Comptroller General's requirements for accounting systems.

Findings

GAO found that the Navy made progress during 1984 in developing its internal controls evaluation program and in reviewing its accounting systems for compliance with the act. The Navy identified a number of material weaknesses for which corrective actions were underway or planned, at both departmental and local levels.

However, GAO found that: (1) while the Navy has implemented a number of corrective actions, Navy managers do not routinely test corrective actions to determine their effectiveness; and (2) the Navy has not yet fully implemented its internal controls evaluation program or established a tracking system to ensure that identified material weaknesses are corrected. In addition, GAO found that: (1) most of the Navy's accounting systems do not conform with the Comptroller General's requirements; (2) the Navy did not adequately evaluate and test the systems it reported as being in conformance with the requirements; and (3) the Navy's efforts to bring its accounting systems into compliance could be delayed by schedule slippages for corrective actions, inadequate coordination of internal control reviews, and the lack of an adequate tracking system to monitor accounting system deficiencies and related corrective actions.

Open Recommendations to Agencies

The Secretary of the Navy should not report the Navy's accounting systems to be in conformance with the Comptroller General's requirements until they have been adequately evaluated and tested in operation.

Status: Action in process.

The Navy should fully coordinate all work performed under provisions of the act, at both the field and headquarters levels, to better identify accounting internal control weaknesses and needed corrections to specific accounting systems.

Status: Action in process.

The Navy should implement an effective tracking and follow-up system to monitor planned accounting systems corrective actions on an ongoing basis.

Status: Action in process.

Defense-Related Activities

Air Force's Progress in Implementing the Federal Managers' Financial Integrity Act

NSIAD-85-151, 09/27/85

Background

GAO reviewed the Air Force's continuing efforts to implement and comply with the Federal Managers' Financial Integrity Act and assessed: (1) its progress in improving internal controls and accounting systems' compliance evaluations; and (2) the adequacy of the basis for the Air Force's letter to the Secretary of Defense which stated that the objectives of the act had been met.

Findings

GAO found that the Air Force has: (1) improved its internal control systems; (2) made progress toward correcting weaknesses; (3) improved its evaluation programs; and (4) established the overall framework for an effective program. However, more improvements are needed before it will have an adequate basis for determining that its internal controls, taken as a whole, comply with the re-

quirements of the act. To enhance its future basis for determining the overall status of its internal controls for reporting compliance with the requirements, the Air Force needs to improve: (1) guidance for performance and documentation of internal control reviews (ICR) and vulnerability assessments; (2) coverage of automatic data processing (ADP) application controls; (3) quality assurance reviews; (4) evaluation and testing of accounting systems in operation; and (5)

analysis of its fiduciary and management accounting capabilities in nonconforming systems.

Open Recommendations to Agencies

To form an adequate basis for determining that the requirements of the act have been met, the Secretary of the Air

Force should direct the Comptroller of the Air Force to ensure that: (1) managers who perform vulnerability assessments and ICR are adequately trained; (2) ADP general and application control reviews are incorporated into ICR; (3) Department of Defense ADP Internal Control Guidelines are included as part of the Air Force's guidance and approach for consideration and evaluation of ADP internal controls; (4) responsible officials

at all levels of the organization effectively perform their quality assurance responsibilities; (5) an inventory of accounting systems is promptly completed; and (6) appropriate manual and ADP accounting systems controls are tested in operation as an integral part of the evaluation process.

Status: Action in process.

Department of Defense - Military (Except Procurement and Contracting) Improvements Needed in Army's Determination of Manpower Requirements for Support and Administrative Functions

FPCD-79-32, 05/21/79

Background

Army manpower survey teams make on-site appraisals and recommend the number of people needed for support and administrative functions at Army installations. The recommendations of the survey team are also the basis for the garrison staffing guide, which provides criteria for subsequent surveys. The surveys, although useful for some installation and major command management decisions, are not coordinated with the major manpower activities of planning, programming, and budgeting; allocating human resources to installations and work centers; and evaluating manpower use. Consequently, the Army supports its garrison budget by adjusting prior year budgets. However, the Army cannot quantify the effect of not receiving the personnel which survey teams say are needed for garrison work and cannot accurately predict manpower needs.

Findings

In order to improve its justifications for budget requests, the Army needs to overcome various problems. The Army's manpower survey program is

not designed to provide input to the budget. Since the survey teams determine garrison needs by organizational element and the Army budgets by activity, the survey team recommendations cannot be summarized into the activity used for budgeting. Survey team recommendations have exceeded congressional authorizations; in fiscal year 1978 the shortage was 20 percent. Survey teams and work measurement staff make recommendations without regard to the source of labor, even though garrison labor is funded by four appropriations and can be managed under about nine different programs. Installation commanders have been given a great deal of flexibility in distributing available resources, organizing activities, and using other labor sources, but this decentralized management contributes to a number of problems. Commands have been directed to develop work measurement standards for total programs or missions, but the Army headquarters has not provided the top level management direction on selecting the appropriate technique, how to relate work center requirements to program changes in the budget, how to develop standards to compare similar activities, the extent methods studies should be

conducted to improve and standardize operations before setting standards, and collecting reliable labor and workload data.

Open Recommendations to Agencies

The Secretary of Defense should require the Army to use experienced personnel to design a manpower management system with the following characteristics: (1) an organizational structure that combines the manpower-related responsibilities and staffing into one organization at all levels; (2) a methodology for determining manpower needs based on work measurement where it is feasible and cost-effective; (3) a management information system which uses a common data base for work center needs, garrison costs, budget requests, allocations, and evaluations of manpower use; and (4) a determination of the spaces needed to implement the system and an allocation of these manpower resources to the program.

Status: Action in process. Estimated completion date: 07/86

Department of Defense - Military (Except Procurement and Contracting) Potential Reductions in Aircraft Operation and Maintenance Costs by Using Thrust Computing Support Equipment

PLRD-82-4, 10/27/81

Background

In response to a congressional request, GAO evaluated the Department of Defense's efforts to save fuel and reduce maintenance costs on turbine jet engines through thrust and power management and studied the feasibility of using certain equipment which has the capability of measuring the thrust of engines while installed in aircraft.

Findings

The analyses showed that the accurate measurement and setting of thrust for installed jet engines is of vital importance, not only for aircraft readiness and safety, but also for operation and maintenance cost reductions. Although test results indicate that a system is available that can perform such measurements, the services have not been using it. The Air Force has conducted extensive tests of the thrust computing support equipment that will measure thrust for installed J85-5 engines. Although the Air Force has decided to

implement the thrust computing system for its J85-5 engines, the system may not be implemented due to a lack of funding. If funds are not made available soon, the system may never be implemented. If this occurs, the Air Force will lose millions of dollars already invested in the program in addition to millions in projected savings. Furthermore, failure to implement the system may reduce aircraft readiness. The Navy has not performed any tests to determine whether its aircraft jet engines might benefit from such a system. According to the contractor, the system can offer similar significant benefits for Navy aircraft engines.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Air Force to ensure that adequate plans are prepared to monitor implementation of the thrust computing support equipment for the J85-5 engines at Laughlin Air Force Base and

to verify and evaluate the benefits of the system.

Status: Action in process. Estimated completion date: 01/86

The Secretary of Defense should direct the Secretary of the Air Force to develop a plan to ensure that the system will be timely implemented on the J79 engines if the system functions as well as expected on the J85-5 engines.

Status: Action in process. Estimated completion date: 01/86

The Secretary of Defense should direct the Secretaries of the Air Force and Navy to coordinate their efforts in evaluating the thrust computing system on variable nozzle afterburning jet aircraft engines. Such an exchange of information will prevent duplication of test and evaluation efforts between the services.

Status: Action in process. Estimated completion date: 01/86

Department of Defense - Military (Except Procurement and Contracting) DOD's Unaccompanied Enlisted Personnel Housing—Better Living Conditions and Reduced Costs Possible

PLRD-82-59, 04/30/82

Background

In view of the large sums of money that the Department of Defense (DOD) is spending on housing its unaccompanied enlisted personnel, GAO evaluated the military services': (1) efforts to provide adequate housing; (2) efforts to control off-base housing costs; (3) computations of personnel housing requirements; and (4) personnel housing modernization policies, procedures, and practices.

Findings

GAO found opportunities for the military services to more efficiently use existing unaccompanied enlisted personnel housing assets, more accurately determine housing deficits, and control modernization costs. GAO believes that DOD can substantially reduce its off-base housing costs, as well as its construction and modernization costs, and at the same time provide better housing to its enlisted per-

sonnel. The services have not uniformly adopted or implemented the minimum standards of adequacy for housing and construction criteria which DOD has established. Seven of nine installations that GAO visited provided service members accommodations that were below the DOD minimum standards of adequacy. Some installations could have provided adequate facilities through better management and efficient utilization of enlisted personnel housing facilities. These hous-

ing costs could be further reduced by requiring installations to use underutilized facilities at other nearby installations and by constructing new facilities before modernizing existing ones. Nine installations which GAO visited overstated deficits in existing housing. GAO believes that four construction projects could either

be eliminated or reduced in scope and that the Army and the Air Force are unnecessarily modernizing some facilities.

Open Recommendations to Agencies

The Secretary of Defense should direct the services to use underutilized space

at nearby installations as a means of meeting UEPH needs.

Status: Action in process. Estimated completion date: 04/86

Department of Defense - Military (Except Procurement and Contracting) Improvements Needed in DOD System for Controlling Material Shipments to DLA Depots and Customers

PLRD-82-81, 06/10/82

Background

GAO reviewed the Department of Defense's (DOD) practices and procedures for controlling material shipments to Defense Logistics Agency (DLA) depots and shipments from DLA distribution activities and vendors to military customers. GAO was primarily interested in whether: (1) DOD customers were receiving proper shipments of requisitioned material; and (2) the government received what it paid for when fast payment procedures were used.

ensure the receipt of materials requisitioned by the military services from DLA and those purchased by DLA from vendors and contractors. This condition has resulted in instances where: (1) the government was not receiving material for which it had paid and had forfeited its recovery rights; (2) customers were being charged for material they did not receive; and (3) overdue material shipments costing millions of dollars were either written off as inventory losses or remained on the books as items due in for a considerable period of time.

importance of controlling material shipments and ensuring that the government receives what it pays for by: (1) strengthening processing controls; and (2) following up on reported deficiencies and assessing problem areas.

Status: Action in process. Estimated completion date: 04/86

The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to emphasize to the DLA military customers the need to consistently follow established procedures for identifying, processing, and reporting shipping discrepancies, including container material shortages and overdue shipments.

Status: Action in process. Estimated completion date: 04/86

Findings

GAO found that policies and procedures followed at some supply centers do not

Open Recommendations to Agencies

The Secretary of Defense should require the Director of DLA to emphasize the

Department of Defense - Military (Except Procurement and Contracting) Requirements and Production Capabilities Are Uncertain for Some Air Force, Navy, and Marine Corps Aircraft Spares and Repair Parts

PLRD-82-77, 07/22/82

Background

Pursuant to a congressional request, GAO reviewed the processes used by the Air Force, Navy, and Marine Corps to develop their fiscal year (FY) 1982 budgets for aircraft spares and repair parts, the subsequent procurement plans for these items,

and the adequacy of management information systems to address the problems associated with these items.

Findings

Many of the problems previously reported by GAO still exist. The Air Force and Navy procurement plans for aircraft spares and

repair parts included in the FY 1982 budget have changed because the requirements on which they were based have fluctuated. To more realistically determine war reserve requirements for aircraft spares and repair parts, the Air Force is developing a computer model, the wartime and assessment requirements simula-

tion (WARS). The Air Force has revised its procurement plans on the basis of the interim model, and original cost requirements for eight C-5A items GAO reviewed were reduced. A number of deficiencies recently identified in Air Force and Navy programs for managing problem items occurred because the programs were using inaccurate data which did not always include all problem items. The remedial actions taken were frequently ineffective in addressing production-related causes. Delinquent deliveries of aircraft spares and repair parts have increased and have become a significant problem affecting the operational readiness of Air Force aircraft. Delinquent deliveries may also

be a significant problem for the Navy; however, the Navy does not track and analyze delinquent contracts, and data required to do so have not been obtained or updated. Both the Air Force and the Navy have some remedial actions planned to deal with the delinquency problem. GAO believes that, until the underlying systemic shortcomings in the requirements determination processes are corrected, the total annual budgets for aircraft will remain questionable.

Open Recommendations to Agencies

The Secretary of Defense should require the Secretary of the Air Force to make

limited tests of the feasibility of generically coding aircraft items, based on the material trends identified in the Joint Aeronautical Material Activity Reports, to identify the causes of lengthening leadtimes. Based on the test results, if it is determined that shortages of certain critical materials, components, or manufacturing processes are the causes of lengthening leadtimes, the Secretary of Defense should pursue alternatives for resolving problems.

Status: Action in process. Estimated completion date: 12/85

Department of Defense - Military (Except Procurement and Contracting) The Navy Should Improve Its Management of Defective Government-Furnished Materials

PLRD-82-115, 09/02/82

Background

GAO reviewed the Navy's practice of providing government-furnished material (GFM) to contractors for use in the construction, overhaul, and repair of its ships, airplanes, and missiles.

Findings

The Navy spends millions of dollars each year to repair or replace materials which are found to be defective after contractors receive them. However, neither GAO nor the Navy know how much is being spent to replace or repair defective GFM because the reporting systems which the Navy has established to identify these costs are not working. The Navy's failure to identify the magnitude of defective GFM and its associated costs for replacement or repair has precluded management from having the oversight needed to take effective action to correct the problems. The Navy has no central point of control or accountability over defective GFM. Instead, Navy management is fragmented among the various commands

which develop their own reporting systems. Such systems are not monitored to ensure consistency and needed interface. All of the systems reviewed were experiencing problems with underreporting of defective GFM and the submission of inaccurate data in their quality deficiency reporting (QDR) system reports. The data developed, which indicated vendors who habitually provided defective items, were not being used effectively to encourage those vendors to correct the deficiencies or to avert additional purchasing from the vendors. In addition, the Navy was not taking action to make the vendors financially responsible for the poor quality of products provided as GFM.

Open Recommendations to Agencies

The Secretary of the Navy should direct the systems commands and other applicable organizations to develop a system for maintaining overall financial and logistical data that will provide the management visibility needed to identify the

nature and magnitude of the problems with defective GFM.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Navy should direct the systems commands and other applicable organizations to ensure the consistency and compatibility of the various Navy QDR systems with each other and with other DOD components.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Navy should direct the systems commands and other applicable organizations to use the data developed by QDR systems to hold vendors accountable, either by having them take corrective action or by preventing future purchasing from them. Alternative sources should be developed if a sole-source vendor does not improve the quality of its products.

Status: Action in process. Estimated completion date: 01/86

Department of Defense - Military (Except Procurement and Contracting) Improving the Air Force Modification Process Will Benefit Management of Spare Parts in the Air Force and Defense Logistics Agency

PLRD-83-3, 10/15/82

Background

Air Force Class IV and V modification programs are performed to correct deficiencies and improve capabilities of existing weapons systems and equipment. GAO reviewed the Air Force's modification coordination process to determine how effectively items affected by modification programs were managed.

Findings

GAO found that item managers are not routinely advised of modification programs that reduce or eliminate demand for their items. As a result, managers are spending millions of dollars purchasing and repairing unneeded items. In addition, Air Force managers are not effectively controlling critical items that could cause

hazardous conditions if reinstalled on modified equipment. One of the principal reasons for the Air Force's longstanding problem in coordinating modification programs is the fragmented method by which the Air Force Logistics Command (AFLC) manages them. A number of different command groups have responsibility for issuing policy on modification coordination, but no single group is responsible for ensuring that policies are consistent, complete, and implemented. This practice has brought AFLC substantial criticism and has prevented AFLC-wide corrective actions. GAO also found that, in addition to affecting Air-Force-managed items, Air Force modification programs frequently involve removing and replacing items managed by the Defense Logistics Agency (DLA). However, Air

Force policies do not require that DLA be notified and Air Force personnel are not doing so. GAO believes that the key to achieving a workable modification coordination process in the Air Force is increased emphasis at a sufficiently high level to ensure its success.

Open Recommendations to Agencies

The Secretary of Defense should require the Director of DLA to: (1) establish internal procedures for coordinating modification data with DLA item managers; and (2) ensure that those procedures provide item managers with information concerning application of items they manage.

Status: Action in process. Estimated completion date: 03/86

Department of Defense - Military (Except Procurement and Contracting) Management Control of the Department of Defense Overseas Dependents Schools Needs To Be Strengthened

HRD-83-3, 11/04/82

Background

GAO reported on the need for strengthening management control of the Department of Defense Dependents Schools (DODDS) overseas.

Findings

GAO found that the financial management system of DODDS does not give managers the timely and accurate information necessary to plan for and control use of the school system's resources. DODDS has no accounting system; at present, accounting services are provided by four organizations. In addition, the school system has no adequate system of internal management controls to ensure, among other things, that receipts are

properly accounted for and that goods and services paid for are received. Finally, GAO found that DODDS does not have authority to disburse funds. These conditions deprive management of information needed to ensure that the allotment of funds from the Department of Defense (DOD) is not overexpended.

Open Recommendations to Agencies

The Secretary of Defense should: (1) develop accounting and internal management control systems in DODDS as required by the Budget and Accounting Procedures Act of 1950; (2) develop a uniform financial coding system applicable to DODDS activities worldwide; and (3) establish a streamlined procedure

for recording disbursements of DODDS funds in the school system's accounting records.

Status: Action in process. Estimated completion date: 01/86

The Secretary of Defense should direct the Director of DODDS to: (1) return to the reimbursable concept in obtaining logistics support services; (2) revise DOD Manual 1342.6-M-1 to require monthly billing with prompt follow-up for recurring logistics support services; (3) ensure that all Support Agreements are brought current and maintained in that status and that they contain specific details relating to the nature and cost of the support services to be provided; and (4) develop and implement a financial management

training program for school principals so that they can fulfill their responsibilities in monitoring and controlling logistics support costs.

Status: Action in process. Estimated completion date: 01/86

Department of Defense - Military (Except Procurement and Contracting)

Military Family Housing

PLRD-83-19, 12/03/82

Background

GAO surveyed major maintenance and repairs to military family housing units at five installations. Because the work disclosed a problem relating to wood floor replacement and maintenance, GAO concentrated its efforts in that area.

Findings

GAO found wood floors at four of the installations it surveyed. Over a period of several years, one Air Force installation had replaced the original veneer floors with solid oak parquet in most of the units constructed in 1960. GAO estimated that the cost of replacing these floors was \$1.6 million. At three other installations, hardwood or parquet floors had been

replaced with vinyl or vinyl asbestos tile in some housing units. The Department of Defense (DOD) has instructions on sanding and refinishing wood floors, but it does not have a policy on which materials to use when floors need to be replaced. GAO believes that economic analyses are essential to determine the most cost-effective materials when it is necessary to replace these floors. Neither DOD nor the services have records on the number of units with wood floors; therefore, the total number of units with the potential for floor replacement could not be determined. Because four of the five locations visited had wood floors in many units, the potential for savings could be significant. GAO also found that wood floors were being sanded or

refinished more frequently than provided by DOD policy.

Open Recommendations to Agencies

The Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics should establish a policy which requires the services to perform economic analyses to identify the most economical materials for replacing wood floors in military family housing.

Status: Action in process. Estimated completion date: 03/86

Department of Defense - Military (Except Procurement and Contracting)

The Air Force Can Improve Its Maintenance Information Systems

GGD-83-20, 01/25/83

Background

In response to a congressional request, GAO reviewed certain maintenance activities at the Air Force to identify where information technology can benefit agencies in terms of economy and efficiency. The review suggested ways to improve Air Force maintenance information management as well as the Air Force information management program.

Findings

GAO found that the Air Force spends millions of dollars on data collection and reporting systems which have questionable value. GAO also noted that recording errors have often resulted in inaccurate

reports and figures from the Air Force's Maintenance Data Collection system, and managers are often reluctant to use this system or the systems it supports because of the known inaccuracies. The data inaccuracies raise questions about the need for much of the maintenance data collected. The Air Force is testing an Automated Maintenance System (AMS) that has the potential to improve maintenance data collection and indications show that it will improve data accuracy and completeness. However, current plans by Air Force commands could result in unnecessary expenditures for separate AMS type computers. Despite these efforts, no significant improvements have been made to improve the maintenance data collection

process. GAO concluded that the Paperwork Reduction Act of 1980 provides the framework for effectively managing information-related activities and, although the Air Force has begun to implement the act's objectives, more needs to be done.

Open Recommendations to Agencies

The Secretary of the Air Force, to improve maintenance information activities, should identify the full costs and benefits of the AMS prototype and, if justified, develop automated maintenance information capabilities which would be com-

patible with standard Air Force base-level computer systems. This action would eliminate the need for stand-alone maintenance computer systems beyond Altus, Dover, and Travis Air Force Bases.

Status: Action in process.

The Secretary of Defense should reassess the requirements for an operating and support cost system and work with the Air Force to develop a system that will meet these requirements.

Status: Action in process. Estimated completion date: 07/86

The Secretary of the Air Force, to improve maintenance information activities, should determine maintenance information requirements for the different levels of command throughout the Air Force.

Status: Action in process. Estimated completion date: 06/90

The Secretary of the Air Force, to improve maintenance information activities, should determine whether a Phase IV compatible automated maintenance information system may eliminate the need for the F-16 Central Data System. This issue should be considered when deciding on

future Central Data System support, expansion plans, and lease versus purchase of equipment.

Status: Action in process. Estimated completion date: 01/88

The Secretary of the Air Force, to improve maintenance information activities, should apply information resources management approaches to managing future information system development efforts.

Status: Action in process.

Department of Defense - Military (Except Procurement and Contracting)

Continued Improvements Needed in Air Force Procedures and Practices

PLRD-83-36, 02/07/83

Background

GAO completed a follow-up review of the effectiveness of actions taken by the Air Force to improve its procedures and practices for identifying and cancelling excess on-order stocks of system support stock fund items.

Findings

In response to an earlier GAO report, the Air Force made a policy change which increased the potential for cancelling excess on-order stocks by \$39 million or more. A follow-up review showed that the Air Force can further correct identified weaknesses and increase its potential for cancellation of such stocks by \$58 million or more. In computing requirements and termination levels for on-order stocks, the Air Force is still using excessive

buffers of stock above item requirements. This practice precludes timely identification and cancellation of on-order stocks which exceed requirements. In addition, GAO found that the Air Force still does not have an effective system to monitor the performance of air logistics centers in cancelling excess on-order stocks. The Air Force could further increase its dollar potential for cancelling excess on-order stocks by excluding unfunded war reserve requirements from computation of termination levels for on-order stocks. Improvements in Air Force procedures and practices for maximum reduction of on-order stock excesses are especially appropriate now because of current and anticipated shortfalls in the Air Force's fiscal year 1982 and 1983 stock fund obligational authority.

Open Recommendations to Agencies

The Secretary of the Air Force should direct the Commander of the Air Force Logistics Command to revise its on-order stock termination policy and D062 requirement computation system for system support stock fund items to provide for: (1) a 3-month reduction in the on-order stock termination level buffer for items with annual dollar demands of more than \$500; (2) elimination of the 12-month stock buffer used to compute termination levels for items with annual dollar demands of \$500 or less; and (3) elimination of the use of unfunded war reserve requirements in computing on-order termination levels for all items.

Status: Action in process. Estimated completion date: 10/86

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quiring the Office of Management and Budget to submit a special analysis of

the DOD requirement using the linking indicators as a basis for the analysis.

Status: Action not yet initiated.

Department of Defense - Military (Except Procurement and Contracting) Federal Actions Needed To Retain Essential Defense Rail Service

PLRD-83-73, 05/20/83

Background

GAO examined the Department of Defense's (DOD) and the Department of Transportation's (DOT) efforts to: (1) maintain minimum levels of rail service at defense installations; and (2) identify and correct rail deficiencies.

Findings

Despite the conclusions of a DOD study which determined that the condition of network and branch rail lines was satisfactory for national defense, GAO found that the number of military installations confronted with the potential loss of rail service is growing and that there may be a need for congressional action to ensure that minimum essential rail service is retained for mobilization needs. Although DOD is spending millions of dollars to improve rail capabilities at its

installations, DOD cannot be assured that the rail network will move the required defense materiel and equipment during mobilization. GAO believes that the case-by-case basis by which DOD presently solves its maintenance service problems on branch lines could prove costly and ineffective in the long run. GAO also believes that DOD must determine the minimum amount of rail capability needed and routinely explore the alternatives and their costs with DOT. GAO found that: (1) the data on transportation movement capability reported by installations contained conflicting information; (2) some planned projects, if funded, would result in capabilities beyond what the services estimate would be needed during mobilization; and (3) a DOD concept of using motor convoys as a method of moving equipment has not been subject to extensive analysis and testing. Consequently, its feasibility and practicality

for long distance transportation during mobilization are uncertain.

Open Recommendations to Agencies

The Secretary of Defense should: (1) modify DOD reporting requirements to ensure that defense installations accurately report their outloading and receiving capabilities to meet peacetime and mobilization movement needs and identify the key constraining factors; (2) establish procedures to ensure rail maintenance projects are appropriately justified and cost-effective; and (3) reevaluate the feasibility and practicality of DOD movement criteria to include road marching vehicles for distances up to 800 miles.

Status: Action in process. Estimated completion date: 09/86

Department of Defense - Military (Except Procurement and Contracting) Air Force Uses Inaccurate Production Leadtime To Compute Spare Parts Requirements

PLRD-83-85, 06/16/83

Background

GAO analyzed a random sample of items being managed at two Air Force logistics centers to determine whether the Air Force is using current and accurate production leadtimes to compute requirements for consumable items and whether long leadtimes can be reduced.

Findings

GAO found that the two logistics centers have overstated their requirements for many consumable parts by an estimated \$137.5 million and have understated requirements for others by about \$12 million. In addition, they were unnecessarily stocking an estimated \$16.7 million worth of parts with annual holding costs of \$2.9 million. GAO believes that the primary reason for invalid requirements determinations are the use

of outdated leadtime data in computing the requirements. The centers are not using up-to-date leadtimes because: (1) regulations do not require them to periodically obtain timely leadtime data from contractors; and (2) management practices encourage the use of long leadtimes as a buffer to avoid shortages. Although the centers recognize that long leadtimes can result in additional inventory investment and readiness problems, only limited efforts have been made to reduce leadtimes. Furthermore, GAO

found that several contractors provided the Air Force with inaccurate data by: (1) including in their proposed leadtimes inappropriate standards and contingency factors; and (2) not recognizing that many raw materials were already on hand or on order. GAO does not believe that the Air Force has made sufficient use of government representatives who are familiar with contractor operations and conditions which affect production leadtimes.

Open Recommendations to Agencies

The Secretary of the Air Force should direct the Commander of the Air Force Logistics Command (AFLC) to implement improved procedures and controls to ensure that appropriate production leadtimes are maintained at the air logistics centers. Such procedures and controls should ensure that center personnel limit the use of historical data to forecast leadtimes for items when current updates cannot be obtained from contractors.

Status: Action in process. Estimated completion date: 02/86

The Secretary of the Air Force should direct the Commander, AFLC, to implement improved procedures and controls to ensure that appropriate production leadtimes are maintained at the air logistics centers. Such procedures and controls should ensure that center personnel stress the importance of up-to-date and accurate leadtimes and monitor logistics center progress in correcting outdated and inaccurate data.

Status: Action in process. Estimated completion date: 02/86

The Secretary of the Air Force should direct the Commander, AFLC, to implement improved procedures and controls to ensure that appropriate production leadtimes are maintained at the air logistics centers. Such procedures and controls should ensure that center personnel frequently and periodically obtain and use leadtime updates from contractors on items with long production leadtimes and high annual demands.

Status: Action in process. Estimated completion date: 02/86

The Secretary of the Air Force should the air logistics centers to work more

closely with contractors to identify and resolve conditions such as contingency factors and administrative leadtime standards that result in excessive leadtimes being used in requirements computations.

Status: Action in process. Estimated completion date: 02/86

The Secretary of the Air Force should direct the Commander, AFLC, to require the air logistics centers to coordinate with Air Force plant representatives and Defense Contract Administration Services Management area offices in working with contractors to reduce long production leadtimes in the requirements computation when possible.

Status: Action in process. Estimated completion date: 02/86

The Secretary of the Air Force should direct the Commander, AFLC, to require the air logistics centers to accept advance deliveries only when advantageous to the Air Force.

Status: Action in process. Estimated completion date: 02/86

Department of Defense - Military (Except Procurement and Contracting) Poor Design and Management Hamper Army's Basic Skills Education Program

FPCD-83-19, 06/20/83

Background

GAO reviewed the Army's basic skills education program to evaluate whether the program: (1) was properly designed to determine the basic skills needed to do Army jobs; and (2) is being effectively implemented at initial entry training bases and permanent duty stations.

Findings

GAO found that, after 4 years and \$160 million in expenditures, a small percentage of soldiers has achieved the Army's prescribed goals. GAO found examples of program abuse, including

ineligible soldiers participating in the program obtaining high school equivalency certificates during on-duty hours. When it designed the program, the Army did not identify the basic skills required for each military job. Implementation problems also have hampered the program. Course hours, duration, and costs differ widely. The Army also has not evaluated the overall effectiveness of its program. Army regulations assign evaluation responsibilities to the Army Adjutant General's Office and direct installation commanders to keep data on program quality and effectiveness. In the fall of 1979, the Army established an evaluation

and services division in its Education Directorate to monitor and evaluate the basic skills education program. Studies show that short-term remedial programs do not provide the competency needed to master highly technical material in many Army jobs and that substantial resources would be required to bridge the literacy gap.

Open Recommendations to Agencies

The Secretary of the Army should defer renewals of all contracts for basic

skills education at installations until the program is revised.

Status: Action in process. Estimated completion date: 09/86

The Secretary of the Army should establish a monitoring system to track, measure, and report program effectiveness.

Status: Action in process. Estimated completion date: 09/86

Department of Defense - Military (Except Procurement and Contracting) The Air Force Equipment Management System Still Does Not Assure Control of Nonexpendable Equipment

NSIAD-83-20, 07/28/83

Background

GAO reviewed how the Air Force Equipment Management System (AFEMS) accounts for nonexpendable equipment valued at over \$15 billion.

Findings

Substantial amounts of proposed equipment purchases in the Air Force budget depend on AFEMS accuracy. To determine net requirements for its budget, the Air Force identifies gross requirements and subtracts equipment on hand. However, problems in accounting for that equipment hinder the Air Force's ability to accurately compute quantities of equipment to include in its budget. GAO concluded that, although the Air Force modernized the AFEMS and tried to establish inventory baseline data for all assets, system weaknesses still limit assurances that requirements are based on accurate and complete information. Based on its review, GAO suggested that the Air Force may need to reconcile data and establish baselines for one equipment category at a time.

Open Recommendations to Agencies

The Secretary of the Air Force should bring to bear the necessary management attention and resources to reestablish control over Air Force equipment on hand to help ensure accurate computation of future equipment requirements.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Air Force should direct the Air Force Logistics Command (AFLC) to establish system controls to reconcile equipment inventories from one period to the next and to report variances.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Air Force should direct AFLC to validate field-reported data through use of control files.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Air Force should direct AFLC to provide guidance and

procedures to item managers for accounting for equipment under the new automated system; as a minimum, the guidance should identify the documents needed for manual reconciliations, define acceptance levels of accuracy, and prescribe how variances should be corrected.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Air Force should direct AFLC and the major commands to improve the accuracy of data reported to AFEMS by analyzing and correcting variances in specific problem areas, such as intransit equipment, onboard aircraft equipment, condemned equipment, and equipment procured outside of AFLC.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Air Force should restate Air Force policy on the need for, and frequency of, physical inventories and should direct that base commanders perform physical inventories and make timely adjustments to reported data.

Status: Action in process. Estimated completion date: 01/86

Department of Defense - Military (Except Procurement and Contracting)

Better Followup Can Reduce Equipment and Facility Problems Affecting Army Guard and Reserve Training

NSIAD-84-29, 11/10/83

Background

GAO reviewed the Army's Unit Status Reporting (USR) system to determine whether: (1) equipment shortages and constraints on access to training facilities adversely affect National Guard and Army Reserve units' ability to train; and (2) the Army has an effective means to identify and correct reported training problems.

Findings

GAO found that: (1) because instructions for preparing reports are not clear,

reported information is often inconsistent; (2) some commanders are not listing all of the equipment shortages or facility constraints affecting their training; and (3) follow-up on reported training problems is minimal because Army officials do not analyze USR training data and they lack confidence in the validity of reported training problems. GAO believes that, due to the inadequate follow-up system, valid training problems remain unresolved and that, once action is taken to provide valid and complete information, the Army should use the USR data to

assist in making decisions on equipment allocations.

Open Recommendations to Agencies

The Secretary of the Army should develop and implement criteria for classifying the training impact of equipment shortages and facility constraints and follow up to ensure that the criteria are used correctly.

Status: Action in process. Estimated completion date: 05/86

Department of Defense - Military (Except Procurement and Contracting)

How Well Do the Military Services Perform Jointly in Combat? DOD Joint Test-and-Evaluation Program Provides Few Credible Answers

PEMD-84-3, 02/22/84

Background

In response to a congressional request, GAO reviewed the Department of Defense's (DOD) joint test-and-evaluation (JT&E) program, which was established in 1971, to determine how well the military services can perform their missions and roles in joint operations under combat conditions.

Findings

GAO found that the office responsible for the joint testing and evaluation of DOD weapon systems has been dependent on organizations with vested interests in JT&E results. Joint tests have been managed, carried out, and partially funded by the individual services, which have vested interests in the results. It is not yet clear how new legislation will affect the organization of the program or alter JT&E

dependence on the services for resources and capabilities. Most of the JT&E's that have been completed were requested by organizations within the Office of the Secretary of Defense while the Joint Chiefs of Staff and the services have been infrequent requesters of joint tests. In the three JT&E's which GAO analyzed in depth, it found that: (1) factors important to judging operational effectiveness were omitted; (2) the validity of the test data could seriously be questioned; (3) the data were often not qualified with respect to the tests constraints; (4) conclusions and recommendations were not always supported by test results; (5) the reports did not always address the concerns of the requesters; and (6) the requesters made little use of the tests. GAO believed that the reasons for the flaws of the joint tests could lie in the organizational structure of the program including: its

organizational placement; its limited staff size; failure to choose staff members for their testing expertise; its limited budget; its dependence on the services for resources; and the absence of a strategic plan that sets priorities.

Open Recommendations to Agencies

The Secretary of Defense should, if he determines that DOD needs the JT&E program, take the further steps that are necessary to: (1) ensure that priorities are established for conducting JT&E programs; (2) endow the JT&E program with enough independence, permanence of expert staff, and control of resources to allow the program to conduct and report on joint tests and evaluations that are high in quality and provide relevant information to their requesters and other

users; and (3) require the JT&E program director to develop routine procedures that will ensure that thorough records of test data, test results, and their use are maintained.

Status: Action in process.

Department of Defense - Military (Except Procurement and Contracting) Problems in Alerting and Preparing Army Reservists for Mobilization

NSIAD-84-52, 02/27/84

Background

GAO conducted a review to determine whether the notification system which the Army uses to notify its reservists of mobilization is adequate and whether reservists are provided information to help put their personal affairs in order before reporting for duty.

Findings

GAO found that, because of deficiencies in the Army's alert rosters, approximately 22 percent of Army Guard and Reserve personnel with early mobilization schedules may not be notified and

assembled promptly. Units that are experiencing personnel shortages will be even more seriously hampered in accomplishing their mission if some members do not report for duty on time. Unit training and management could be affected because some who may not be contacted are noncommissioned officers. About 7 percent of the noncommissioned officers at the units GAO visited may not be contacted due to alert roster inaccuracies. In addition, GAO found that Army Guard and Reserve units were not using annual tests of their alert procedures to verify their alert rosters, and some units did not conduct their annual tests in accordance with established Army regulations.

Finally, GAO found that many reservists had not received required annual briefings and other written materials concerning personal readiness forms. Moreover, the Army did not follow up to ensure that personal readiness information was provided to members who had not received it.

Open Recommendations to Agencies

The Secretary of the Army should require periodic feedback from command reviews on how well units are helping reservists get their personal affairs in order.

Status: Action in process. Estimated completion date: 01/86

Department of Defense - Military (Except Procurement and Contracting) Ensuring Retention of Essential Civilians Overseas During Hostilities

NSIAD-84-73, 03/14/84

Background

GAO conducted a study to determine: (1) whether the military services were reasonably sure that contractor and Department of Defense (DOD) civilian support personnel would be available when needed overseas in the event of an outbreak of war; and (2) what actions might be taken to ensure continuity of essential functions during mobilization and conflict.

Findings

Recent studies have estimated that as many as 6,000 overseas U.S. civilian and contractor personnel are essential to maintain weapons systems and military

equipment. There is reason for concern that some essential employees would choose not to stay at their jobs if they thought that conditions were excessively dangerous. Within the projected group of essential civilians, there is a smaller subset of critically needed civilians whose loss could be debilitating. DOD officials have suggested several alternatives to address the situation, including: (1) requiring civilians to remain at their posts under penalty of criminal sanctions; (2) expanding jurisdiction under the Uniform Code of Military Justice to cover civilians in situations not involving a declaration of war; (3) requiring military reserve status for civilians in essential positions; (4) requiring agreement to accept officer

status upon mobilization; (5) requiring written agreements from civilians performing essential functions; and (6) requiring contract provisions aimed at ensuring retention of essential contractor personnel. However, progress in defining the extent and significance of the problem and in improving the situation has been slow. DOD has recently issued draft policy guidance intended to ensure retention of essential civilians which calls for the use of written agreements and contract provisions for danger pay and evacuation of dependents. However, there has been some doubt about the effectiveness of such an approach because only administrative sanctions could be imposed on violators.

Open Recommendations to Agencies

DOD should expand its current policy proposals to include more specific guidance on what constitutes an essential civilian.

Status: Action in process. Estimated completion date: 02/86

DOD should expand its current policy proposals to include the identification of the subset of very critical civilian positions.

Status: Action in process. Estimated completion date: 02/86

DOD should expand its current policy proposals to include the tailoring of policy alternatives, based on the essentiality

of individual positions, to provide an acceptable level of assurance that both critical and essential civilians will remain at their posts, focusing first on those whose loss would have the most severe impact on combat missions.

Status: Action in process. Estimated completion date: 02/86

Department of Defense - Military (Except Procurement and Contracting) Department of the Army's Program To Modify 155-mm. M109 Self-Propelled Howitzers to an M109A5 Configuration

NSIAD-84-60, 03/26/84

Background

GAO reviewed the Army's program for modifying some of its self-propelled howitzers, a program estimated to cost \$1.5 billion.

Findings

The Army has deferred approving the full-scale development of the improved howitzers because a cost and operational effectiveness analysis is still in progress, more definitive information on the number of howitzers that should be modified is needed, and the cost estimate needs to be updated. GAO believes that the Army exercised exemplary caution in withholding its approval considering the program uncertainties. The Army has consistently shown its concern about the program's affordability when it rejected several costly alternative modification programs. GAO found that the Army has a program to procure new armored ammunition supply vehicles which would replenish the howitzer's supply of ammunition. The Army's current ammunition supply vehicle is unarmored and affords little protection to

the crew or equipment. However, the Army plans to procure only enough armored ammunition supply vehicles to supply half of the howitzers which would be developed. The benefits resulting from improvements to the howitzers may be offset by the fact that the majority of the howitzers will continue to operate with an ammunition supply vehicle which lacks adequate protection. In addition, GAO believes that more information is needed on the operational availability during wartime of the cannon and the effect of the proposed added weight on the howitzer's mobility.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Army, during full-scale development, to perform an analysis that would determine whether it is cost-effective to modify the number of M109 howitzers that will continue to operate alongside the vulnerable M548 ammunition supply vehicles.

Status: Action in process.

If it is not cost-effective to modify the number of howitzers that will continue to operate alongside the vulnerable ammunition supply vehicles, the Secretary of Defense should direct the Secretary of the Army, during full-scale development, to consider the option of modifying a lesser number of howitzers than the 1,500 now in the program and apply the savings toward the procurement of additional, more survivable, M992 vehicles, if affordability considerations continue to limit the funds available for both programs.

Status: Action in process.

If the decision is to continue into full-scale development, before contracting for modification of a large number of howitzers, the Secretary of the Army should ensure that the tests in the next acquisition phase adequately demonstrate that the selected cannon replacement will achieve the Army's availability goal and that the added weight resulting from the modifications will not materially degrade the howitzer's mobility.

Status: Action in process.

Department of Defense - Military (Except Procurement and Contracting)

Confusion Over Validity and Effects of Purported Petty Officer Shortage

NSIAD-84-30, 06/27/84

Background

Pursuant to a congressional request, GAO reviewed the validity and effects of a purported shortage of petty officers in the Navy, focusing on: (1) the Navy's longstanding claim of a shortage; and (2) Navy plans to increase the number of petty officers.

Findings

GAO found that: (1) the Navy determined that a shortage of petty officers existed because it had more lower-grade enlisted personnel and fewer petty officers than it believed it needed; and (2) confusion was generated because the Navy failed

to clearly define the shortage before congressional hearings. In addition, GAO found that: (1) the Navy's determinations of its manpower needs are not derived from objective measures; (2) the purported shortage has no effect on combat readiness or mission capability; (3) plans to increase the number of petty officers would be costly; and (4) the benefits of such an increase are not known.

Open Recommendations to Agencies

The Secretary of the Navy should develop and issue written guidelines for the enlisted programmed authorizations.

At a minimum, the guidelines should explain what they are, how they are developed and revised, their uses, and their limitations.

Status: Action in process. Estimated completion date: 12/85

The Secretary of the Navy should clearly identify the sources of all data used in calculations of enlisted personnel needs, authorizations, and shortages in all presentations of manpower and personnel issues to Congress.

Status: Action in process. Estimated completion date: 12/85

Department of Defense - Military (Except Procurement and Contracting)

Navy Can Improve Management of Nonaviation Depot-Level Repairable Spares

NSIAD-84-150, 09/20/84

Background

GAO reviewed the Navy's management of nonaviation depot-level repairable spares.

Findings

GAO found that the Navy manages about 82,000 spares, such as generators, transmitters, and circuit card assemblies, valued at about \$5.6 billion. GAO also found that the Navy is repairing many spares that would be more economical to replace through procurement actions. A major cause of this condition is that the repair or buy decisions are based on adjusted data that favor repairing rather than on actual cost information. GAO believes that industrially funded using

activities, such as shipyards, lack sufficient incentive to return unserviceable spares because they can pass the added cost of not returning spares on to their customers in the form of higher charges.

Open Recommendations to Agencies

The Secretary of the Navy should use up-to-date actual purchase and repair cost information in making repair or buy decisions.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Navy should periodically review depot-level repairable spares to determine which should continue to be repaired or whether new spares should be purchased as replacements.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Navy should explore alternatives that encourage industrially funded activities to return more unserviceable spares, test the feasibility of implementing these alternatives, and adopt the one that provides the most incentive to return the unserviceable spares.

Status: Action in process. Estimated completion date: 01/86

Department of Defense - Military (Except Procurement and Contracting) Better Use of Available Data Would Improve Mobilization Planning for Inductees

NSIAD-85-11, 10/22/84

Background

GAO discussed the accuracy of the current Department of Defense (DOD) request for inductees that the Selective Service System (SSS) would provide after full mobilization.

Findings

GAO found that, although the data exist, the system that DOD uses for making wartime manpower planning decisions collects insufficiently detailed data on each service's wartime needs and expected manning requirements to enable it to validate the accuracy of the current inductee request schedule. Further, although DOD has acknowledged that a systematic process for identifying

needs is necessary, it has not made any systematic analysis to either validate or change the current inductee schedule. GAO concluded that, until a systematic analysis is performed of service needs, SSS may be expending resources preparing to deliver unneeded inductees while neglecting the planning required to meet actual DOD inductee need.

Open Recommendations to Agencies

The Secretary of Defense should require the services to submit sufficient occupational data, either through the Wartime Manpower Planning System or another planning system, so that DOD can ensure the accuracy of each service's wartime

needs and expected manning shortages and surpluses.

Status: Action in process. Estimated completion date: 01/86

The Secretary of Defense should ensure that the requirements for inductees are based on a systematic analysis of the services' wartime needs and their ability to meet these needs with available personnel.

Status: Action in process. Estimated completion date: 01/86

The Secretary of Defense should submit to SSS, as necessary, a revised schedule for inductees.

Status: Action in process. Estimated completion date: 01/86

Department of Defense - Military (Except Procurement and Contracting) Planning for Navy Shore Facilities: Improvements Possible

NSIAD-85-6, 11/05/84

Background

GAO reviewed selected Navy activities' use of the Shore Facilities Planning System (SFPS) to determine whether the activities' use of the system resulted in accurate determinations of facility requirements and optimum use of existing facilities.

Findings

GAO found a number of instances where the use of the SFPS by activities resulted in inaccurate facility requirements causing the construction of some unneeded, or excessively large, projects. The Navy criteria for sizing family services centers provide for centers which are larger than Department of Defense (DOD) criteria

allow. As a result, at one facility, GAO found that the Navy was planning a family services center which was larger than DOD criteria allowed, and the Navy had not obtained the waivers necessary for construction in excess of DOD criteria. In addition, the Navy has no assurance that the child care centers it plans to build will be properly sized to meet its needs because DOD and Navy criteria for sizing such centers are inadequate, and DOD plans to revise its criteria. GAO found that Navy criteria for aircraft parking aprons are inaccurate, resulting in a parking apron requirement at one activity which was overstated. GAO also found that outdated and inaccurate data in the industrial planning system resulted in a shipyard overstating its electronics shop space requirements. Finally, because of

the improper use of factors for converting net floor areas to gross floor areas, an engineering station overstated its space requirement for a proposed diesel engine test facility. GAO believes that current and accurate data are essential if the SFPS is to be a useful tool in the management of naval facilities.

Open Recommendations to Agencies

The Secretary of Defense should reevaluate DOD criteria for determining the size of family services centers in light of the Navy's plans to construct larger facilities. If DOD criteria are considered reasonable, then the Secretary should direct the Navy to adhere to the criteria

or obtain necessary waivers; if not, revise the family services center criteria.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Navy should direct the Commander, Naval Sea Systems Command, to require activities using the industrial planning system to periodically update the SFPS with current industrial planning system data.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Navy should direct the Commander, Naval Facilities Engineering Command, to revise the criteria for sizing aircraft parking aprons to require activities to use the most efficient parking angle when computing requirements.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Navy should direct the Commander, Naval Facilities Engineering Command, to improve the accuracy of the data in the SFPS by requiring engineering field divisions to review facility planning documents to ensure that information in the documents is based on current base loading or industrial system data.

Status: Action in process. Estimated completion date: 01/86

Department of Defense - Military (Except Procurement and Contracting) Opportunities To Improve the DOD Personal Property Shipping Program

NSIAD-85-10, 11/09/84

Background

GAO reviewed the Department of Defense's (DOD) Personal Property Shipping Program to identify opportunities to reduce costs and improve the efficiency of the program.

Findings

GAO found that DOD has been consolidating its personal property shipping offices and has been planning to automate them. However, due to a lack of coordination, the full potential for consolidation cannot be achieved and money may be spent to automate offices that should be merged with others. In addition, GAO found that, due to the delay in the development of a standardized automated system for use in managing its shipping program, many offices have become frustrated and have developed their own systems which are not compatible and cannot be merged with a standardized system. On November 8, 1983, a DOD

memorandum was issued restricting the development of additional new systems. Finally, GAO found that the DOD cost of storing household goods awaiting delivery has increased substantially since 1978. These costs could be reduced significantly if DOD leased storage space and provided the service in-house or used government-owned space where available, rather than having moving companies arrange space.

Open Recommendations to Agencies

The Secretary of Defense should direct the Assistant Secretary for Defense, Manpower, Installations, and Logistics, to expedite development of a standard automated system for processing personal property shipments, while closely monitoring compliance with the November 8, 1983, memorandum restricting independent development of shipments.

Status: Action in process. Estimated completion date: 12/87

The Secretary of Defense should direct the Assistant Secretary of Defense, Manpower, Installations, and Logistics, to integrate plans to automate the personal property shipping offices with plans to consolidate them.

Status: Action in process. Estimated completion date: 12/87

The Secretary of Defense should direct the Assistant Secretary of Defense, Manpower, Installations, and Logistics, to explore ways of reducing the cost of storage in transit. If the moving industry cannot offer storage rates that are competitive with the cost of providing the service in-house, the military services should lease storage space directly or use government-owned space in accordance with OMB Circular A-76.

Status: Action in process. Estimated completion date: 01/86

Department of Defense - Military (Except Procurement and Contracting) Navy Materiel in Suspended, Not Ready for Issue, Condition Needs More Management Attention

NSIAD-85-23, 11/19/84

Background

GAO reviewed the Navy's management of materiel in suspended, not-ready-for-issue status.

Findings

Materiel is assigned a suspended condition code when there is a question regarding its true condition and additional testing is required before it can be considered ready for use. The value of Navy materiel having a suspended status was reported to be about \$200 million. The policy of the Department of Defense (DOD) and the Navy emphasizes the importance of removing materiel from a suspense category in a timely manner; however, GAO found that this policy was not being followed. GAO believes that lengthy suspension times have adversely affected supply operations, because the materiel in a suspended status has not been considered in filling requisitions and making procurement decisions.

Open Recommendations to Agencies

To improve the management of suspended materiel, the Secretary of the Navy should initiate a one-time special project to have inventory control points and stockpoints determine the true condition of suspended materiel, make issuable all materiel that is needed, and purge from the supply system all materiel that cannot economically be made issuable or is no longer needed.

Status: Action in process. Estimated completion date: 12/85

To improve the management of suspended materiel, the Secretary of the Navy should: (1) modify the management information system used by the Naval Supply Systems Command inventory control points and stockpoints so that it will receive summary data on the amount, age, and reasons materiel is suspended; and (2) monitor this data to ensure compliance with DOD and Navy requirements.

Status: Action in process. Estimated completion date: 08/87

To improve the management of suspended materiel, the Secretary of the Navy should assess personnel resource allocations for the purpose of establishing a central control group at each inventory control point to provide oversight of suspended materiel. This group should receive and record discrepancy report data, monitor suspension times and the status of efforts to resolve discrepancies, keep item managers informed of the status of suspended items, and serve as a focus for questions from stockpoints.

Status: Action in process. Estimated completion date: 12/85

To improve the management of suspended materiel, the Secretary of the Navy should provide more explicit guidance on whether the inventory control point or stockpoint is responsible for resolving suspended materiel discrepancies so that the materiel can be made issuable or disposed of in a timely manner.

Status: Action in process. Estimated completion date: 12/85

Department of Defense - Military (Except Procurement and Contracting) Observations on Ways the Navy Can Improve Curricula Development for Initial Skill Training

NSIAD-85-33, 12/18/84

Background

GAO reviewed selected Navy schools which provide initial skill training for entry-level sailors to determine whether the Navy's system for developing curricula adequately considers the diversity inherent in Navy occupations.

Findings

In many cases, GAO found that the jobs required of sailors in the same occupations varied between shore duty and sea duty as well as among ships. Without a thorough analysis of what should be taught, this diversity could result in curricula that include many tasks that are seldom performed at the

entry level. Teaching skills which are not needed results in longer courses than necessary, increased costs, delays in getting sailors to the fleet, and a reduction in the number of personnel that can be trained. In an analysis of four occupational schools, GAO found that each school taught some tasks needed by less than 30 percent of the sailors. In addition, one occupation had very

few tasks, and these tasks were being taught at both the entry-level school and the fleet training center. Although curricula changes are being made, GAO found that the schools still teach tasks not needed by most entry-level sailors, thereby unnecessarily extending training time. If material not needed by entry-level sailors were deleted from the school courses, one school's time period could be reduced by 4 weeks, two schools' time periods could be reduced by 2 weeks each, and another school's time period could be reduced by 3 weeks or eliminated by sending sailors to fleet training centers where the same material is being taught.

Open Recommendations to Agencies

The Secretary of the Navy should, in developing new guidelines for curriculum

development, ensure that there are provisions for specific use of data that identify the percentage of entry-level sailors in an occupation performing a task.

Status: Action in process. Estimated completion date: 12/85

The Secretary of the Navy should, in developing new guidelines for curriculum development, require identification of material in the curriculum that is needed by few sailors in an occupation and documentation of reasons for including that material.

Status: Action in process. Estimated completion date: 12/85

The Secretary of the Navy should, in developing new guidelines for curriculum development, consider the alternatives other than "A" school, such as on-the-job training and use of fleet training centers, for teaching skills that are not needed by most entry-level sailors.

Status: Action in process. Estimated completion date: 12/85

The Secretary of the Navy should, while the new curriculum development guidelines are being developed, delete the material not needed by most entry-level sailors in the four "A" schools studied so that training resources can be better spent.

Status: Action in process. Estimated completion date: 12/85

The Secretary of the Navy should, while new curriculum development guidelines are being developed, determine whether it is worthwhile to keep the ship serviceman "A" school since the core tasks are limited and are taught elsewhere in the Navy.

Status: Action in process. Estimated completion date: 12/85

Department of Defense - Military (Except Procurement and Contracting) DOD Making Progress in Identifying and Marketing Obsolete Repair Parts

NSIAD-85-47, 02/21/85

Background

In a follow-up review of obsolete items held in Department of Defense (DOD) inventories, GAO: (1) determined if DOD is still maintaining large inventories of obsolete repair parts; and (2) reviewed actions taken to offer these repair parts for sale to foreign governments.

Findings

GAO found that aggressive actions by the military services to identify and initiate system support buy-outs through Foreign Military Sales program channels could reduce the possibilities of either unnecessarily holding obsolete repair parts in service inventories or needlessly disposing of repair parts still needed by friendly foreign governments. Also, according to DOD, buy-out programs enhance logistics support to foreign allies. The Air

Force and the Navy have made significant progress in implementing buy-out programs.

Open Recommendations to Agencies

The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that deactivation of weapon systems is coordinated on a timely basis between system managers and inventory control personnel so that obsolete repair parts can be promptly identified.

Status: Action in process.

The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that item application files are accurately maintained to facilitate the identification of obsolete repair parts which should be offered to friendly foreign governments through buy-out agreements.

Status: Action in process.

The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that item management specialists routinely review their repair parts to identify obsolete material.

Status: Action in process.

The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that cooperative logistics supply support arrangements are amended to remove obsolete repair parts. Stock levels of these parts should be identified, and the countries involved should be requested to withdraw their material equities in the inventory held for them

and be offered an opportunity to buy any additional obsolete parts remaining after the withdrawals.

Status: Action in process.

The Secretary of Defense should require the Secretaries of the Air Force and the Navy to closely monitor recent system support buy-out program initiatives. Monitoring efforts should be designed to ensure that stock level replenishment

buys of obsolete repair parts with DOD funds be discontinued. Demands from foreign military sales customers should be supported on a direct cite funding basis using the friendly foreign governments' monies. Outstanding purchase requests and contracts for obsolete repair parts citing DOD funds should be converted to direct cite foreign military sales monies.

Status: Action in process.

Department of Defense - Military (Except Procurement and Contracting) Management of the Joint Chiefs of Staff Exercise Program Has Been Strengthened, But More Needs To Be Done

NSIAD-85-46, 03/05/85

Background

GAO assessed the current management of the Department of Defense (DOD) joint exercise program to determine the effect of actions taken since a 1979 report and whether opportunities exist for further improvements.

Findings

GAO found that corrective actions taken have strengthened the exercise program and its management. The objectives of the program and the procedures for its development are now more clearly defined as a result of revised Joint Chiefs of Staff (JCS) guidance. In addition, congressional action to transfer program funding from the individual services to JCS has improved program budget development and control. However, GAO found that JCS procedures to define the scope and composition of the exercises were not being followed. In addition, exercise schedules which unified commands prepared for JCS did not include the necessary detailed information, and neither did the commands' analyses and assessments, which often provided only general discussion

with limited coverage of the topics required by JCS. Further, program budgets were overestimated because airlift requirements were overstated for 34 of the 45 exercises for which airlift funds were requested in fiscal year 1983. As a result, about \$67.5 million was reprogrammed and spent for unbudgeted program costs. In addition, because of many schedule modifications, the executed program was significantly different than the program approved by the executive branch and Congress. Finally, in response to a GAO recommendation, JCS, the Army, and the Air Force have developed systems to identify, assign responsibility for, and ensure action on exercise problems. However, since these systems were developed independently, they are not providing maximum benefit.

Open Recommendations to Agencies

The Secretary of Defense should direct JCS and the unified commands to adhere more stringently to JCS guidance concerning: (1) timely submission of exercise requirements; and (2) preparation

of more informative command analyses and assessments.

Status: Action in process. Estimated completion date: 12/85

The Secretary of Defense should direct JCS to develop procedures that will ensure more precise exercise program schedules and budgets and will reduce to a minimum the number of changes to the schedule that occur after budget approval. These procedures, if properly implemented, should consider transportation efficiencies.

Status: Action in process. Estimated completion date: 12/85

The Secretary of Defense should direct JCS to take the lead in establishing a comprehensive exercise results system that includes all major JCS exercise program results. Such a system would allow JCS and other defense organizations to account for, act on, and share the results throughout the defense community.

Status: Action in process. Estimated completion date: 12/85

Department of Defense - Military (Except Procurement and Contracting) Navy Manpower Management: Continuing Problems Impair the Credibility of Shore Establishment Requirements

NSIAD-85-43, 03/07/85

Background

GAO conducted a review to assess whether improvements have been made in: (1) the Navy's shore-based manpower management system; (2) the accuracy of Navy's workload data; and (3) the oversight of manpower planning at the Chief of Naval Operations (CNO) and Command headquarters and of the application and use of staffing standards at the user level.

Findings

GAO found that the Navy has made progress in managing its shore-based manpower by adopting work measurement concepts and methods. However, the Shore Requirements, Standards, and Manpower Planning System (SHORSTAMPS) and the Navy Manpower Engineering Program (NAVMEP) fall short of meeting congressional expectations. This is due primarily to: (1) the Navy's lack of oversight of manpower planning; and (2) various continuing technical problems, such as budgeting, personnel, procedures, and data. GAO believes that the key reason manpower standards are not used is the absence of monitoring and enforcement at all levels. Most of the Navy's shore manpower is not covered by the SHORSTAMPS standards, there has been little emphasis on managing and retaining trained analysts, methods-improvement studies are not being performed, none of the major commands visited was ensuring that the Shore Required Occupational Capability (SHOROC) values submitted by activities were accurate, some commands were not using the system in accordance with the approved implementation instruction, and there was no incentive to use SHORSTAMPS. Furthermore, GAO found that NAVMEP, which the Navy has initiated because of dissatisfaction with SHORSTAMPS, may be endangered due to methodological weaknesses and budget instability. In NAVMEP, the Navy is likely to sacrifice accuracy and efficiency due

to time constraints, the use of macro-models, and the use of engineered estimates as a substitute for standards.

Open Recommendations to Agencies

The Secretary of the Navy should establish a program to systematically examine for soundness/rigor all standards, methodologies, and processes to be used by NAVMEP to determine manpower requirements.

Status: Action in process.

The Secretary of the Navy should introduce accepted work measurement techniques where feasible.

Status: Action in process.

The Secretary of the Navy should consider performing methods studies prior to the development of standards.

Status: Action in process.

The Secretary of the Navy should commit the short- and long-term funding and staff resource stability necessary for ensuring the incorporation of methods-improvement studies into the manpower requirements determination process.

Status: Action in process.

The Secretary of the Navy should direct that efforts be intensified to clarify SHOROC definitions so that they are easily understood and less open to misinterpretation.

Status: Action in process.

The Secretary of the Navy should direct that steps be taken to ensure that submitted parameter values are accurate

by: (1) monitoring and validating data submissions; (2) requiring that formal recordkeeping systems on parameter submissions be maintained at the activity level; and (3) educating activity Department heads on the importance of accurate submission of parameter values.

Status: Action in process.

The Secretary of the Navy should direct that steps be taken to remove impediments to the application and use of SHORSTAMPS by expediting action to purify the Navy Manpower Data Accounting System data base so that meaningful comparisons between funded authorizations and unfunded requirements can be made.

Status: Action in process.

The Secretary of the Navy should direct that steps be taken to remove impediments to the application and use of SHORSTAMPS by continuing with the effort to ensure that billet occupation classification codes are accurately assigned.

Status: Action in process.

The Secretary of the Navy should direct that steps be taken to remove impediments to the application and use of SHORSTAMPS by expediting the Manpower Claimant Access Support System efforts to provide major commands with automated access to manpower data bases.

Status: Action in process.

The Secretary of the Navy should direct that steps be taken to remove impediments to the application and use of SHORSTAMPS by developing a method for translating functional requirements into program requirements.

Status: Action in process.

Department of Defense - Military (Except Procurement and Contracting) DOD Should Adopt a New Approach To Analyze the Cost Effectiveness of Small Hospitals

HRD-85-21, 03/15/85

Background

GAO discussed the need for the Department of Defense (DOD) to adopt a new approach to analyzing the cost effectiveness of providing inpatient services at small hospitals.

Findings

GAO found that, through its studies of nonfederal hospitals, smaller hospitals are less economical to operate than larger ones. The studies indicated that the most economical hospital size is between 200 and 300 beds. GAO also found that, in fiscal year (FY) 1983, DOD operated 69 hospitals having daily inpatient loads of 50 or less. The cost to operate these

hospitals totalled about \$506 million. Using a model that compared the costs of operating small military hospitals to the estimated costs of converting them to outpatient clinics, GAO found that DOD could have saved \$3.9 million in FY 1981 costs had conversion taken place.

Open Recommendations to Agencies

The Secretary of Defense should direct the Assistant Secretary of Defense for Health Affairs and the Surgeons General of the Army, Navy, and Air Force to: (1) develop criteria to determine when providing inpatient services at small military hospitals is economical and necessary to meet the wartime or

peacetime benefit missions (the criteria should include the minimum workload needed to justify offering inpatient care, the distance to other civilian or federal hospitals, alternative treatment settings for active duty patients who require limited care, and other relevant considerations); (2) using a methodology similar to the one discussed in this report, analyze each small military hospital in the direct care system to determine its potential for conversion to an outpatient clinic; and (3) perform such analyses before requesting funds from Congress, or before expending any already approved funds, for reconstructing or renovating any small hospital in the DOD system.

Status: Action in process. Estimated completion date: 04/86

Department of Defense - Military (Except Procurement and Contracting) The Navy Can Improve Material Management at Naval Shipyards

NSIAD-85-71, 05/06/85

Background

GAO conducted a review of four naval shipyards to determine the effectiveness of Navy material management activities.

Findings

GAO found that the naval shipyards do not effectively determine direct material requirements for future overhauls because: (1) complete and accurate usage data are not collected; and (2) historical usage information on prior overhauls is not analyzed. As a result, material shortages and surpluses reduce efficiency and increase costs of shipyard depot maintenance. Further, usage information is inaccurate because it includes unused

materials placed in unrecorded stockpiles instead of being returned to the proper inventory location. Usage information is also inaccurate because it does not include many items used during overhauls that the shipyards have manufactured. Furthermore, material planners do not have an adequate management information system. Instead of using the data analysis part of a Naval Sea Systems Command (NAVSEA) automated material requirements planning system, shipyards have continued to use ineffective local systems. As a result of ineffective planning, large amounts of unused materials from prior overhauls have been accumulated. In addition, the shipyards have not performed required physical inventories of shop stores or

effectively identified, analyzed, and disposed of excess materials. Finally, because the shipyards have not been held accountable for implementing NAVSEA systems and procedures or held their personnel accountable for implementing the procedures, previously identified material management problems remain unsolved.

Open Recommendations to Agencies

The Secretary of the Navy should direct the Commander, NAVSEA, to initiate a one-time special project to have shipyards identify and record all existing unrecorded materials and retain only those materials allowed by Department

of Defense and Navy regulations, return all other needed materials to the supply system, and dispose of materials that are no longer needed.

Status: Action in process. Estimated completion date: 04/88

The Secretary of the Navy should direct the Commander, NAVSEA, to: (1) collect accurate information on materials used during overhauls; (2) properly account for unused materials upon the completion of each overhaul; and (3) record all manufactured materials in the historical usage data base.

Status: Action in process.

The Secretary of the Navy should direct the Commander, NAVSEA, to adopt and implement a material requirements planning subsystem that the shipyards can use to analyze historical usage data.

Status: Action in process.

The Secretary of the Navy should direct the Commander, NAVSEA, to ensure that shipyards implement procedures to analyze actual usage data when ordering materials for future overhauls.

Status: Action in process.

The Secretary of the Navy should direct the Commander, NAVSEA, to ensure that shipyards: (1) perform the required physical inventories; and (2) properly identify, analyze, and dispose of excess shop store materials.

Status: Action in process.

The Secretary of the Navy should direct the Commander, NAVSEA, to set organizational goals for each shipyard that address the efficiency and effectiveness of material management activities.

Status: Action in process.

The Secretary of the Navy should direct the Commander, NAVSEA, to closely monitor the shipyards' implementation of any changes in guidance concerning physical inventories and excess materials.

Status: Action in process.

The Secretary of the Navy should direct the Commander, NAVSEA, to require that shipyards include appropriate standards in the performance appraisals of shipyard employees responsible for material management activities and hold them accountable for meeting the standards.

Status: Action in process.

Department of Defense - Military (Except Procurement and Contracting) GAO Assessment of DOD's Very High Speed Integrated Circuits (VHSIC) Technology Program

NSIAD-85-37, 05/08/85

Background

GAO reviewed the Department of Defense's (DOD) Very High Speed Integrated Circuits (VHSIC) program aimed at developing and demonstrating two generations of advanced data and signal processing technology for defense systems.

Findings

Although technical progress has been made, contractors have encountered significant delays and other problems in developing, demonstrating, and verifying the first generation VHSIC technology. GAO noted that: (1) emphasis on the completion and independent testing of first generation technology could increase the early utilization of VHSIC technology

without further program extension; (2) cost increases resulted from expansion of the program's scope beyond its original mandate; (3) DOD proposed to improve, with direct subsidies, the contractors' manufacturing efficiency in producing, assembling, and testing VHSIC chips; and (4) increased emphasis on efforts to fulfill the VHSIC program's original mandate to develop, demonstrate, and verify technology would minimize system developers' uncertainties about using VHSIC technology.

Open Recommendations to Agencies

The Secretary of Defense should not approve the additional \$62.2 million planned for VHSIC technology insertion subsidies.

Status: Action not yet initiated.

The Secretary of Defense should complete the development, demonstration, and verification of first generation VHSIC technology.

Status: Action in process. Estimated completion date: 05/86

The Secretary of Defense should issue the proposed policy directive on when and how system developers should consider the use of VHSIC technology.

Status: Action in process. Estimated completion date: 05/86

Department of Defense - Military (Except Procurement and Contracting) Overview of the Status of the Defense Industrial Base and DOD's Industrial Preparedness Planning

NSIAD-85-69, 05/23/85

Background

Pursuant to a congressional request, GAO reviewed selected aspects of the Department of Defense's (DOD) requirements for peacetime and war reserve stocks of spare parts and provided an overview of the status of the defense industrial base and DOD industrial preparedness planning.

Findings

GAO found that, although a number of studies have expressed concerns about the adequacy of the defense industrial base and its capacity to surge production

rates to meet short-term situations, DOD has recently taken actions to revitalize the responsiveness of the defense industrial base and improve industrial preparedness planning. Part of this action requires the military services to annually submit a production base analysis that shows the status of the industrial base and the proposed measures and costs to enhance the industrial base. DOD has encouraged the services to use the contract production surge concept that can substantially reduce: (1) production leadtime for critical items in emergency situations; (2) the risk of obsolete parts; and (3) the storage space requirements. Finally, GAO found that the services were losing opportunities

to use wartime production capabilities to offset war reserve requirements.

Open Recommendations to Agencies

The Secretary of Defense should reemphasize and monitor compliance with the DOD policy of requiring the military services to reduce war reserve requirements to reflect contractors' wartime production capabilities.

Status: Action in process. Estimated completion date: 07/86

Department of Defense - Military (Except Procurement and Contracting) Implementing Outpatient Surgery Programs in Military Hospitals Can Reduce DOD's Health Care Costs

HRD-85-23, 05/24/85

Background

GAO reviewed the extent to which outpatient surgery is being practiced in Department of Defense (DOD) hospitals.

Findings

GAO found that: (1) military hospitals have generally not adopted outpatient surgery programs as a means of reducing health care costs; (2) about 65 percent of the cases it reviewed could have been treated on an outpatient basis; (3) expenditures by the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) could have been reduced by up to \$3.6 million annually if outpatient surgery programs were implemented at the hospitals reviewed; and (4) its estimate of the number of patients and procedures suitable for outpatient surgery may be conservative because it did not include certain procedures performed on an outpatient basis by non-

federal health care providers. GAO also found that military hospital commanders have not encouraged the implementation of outpatient surgery programs because they believe that: (1) patient population characteristics limit the potential for outpatient surgery; (2) operating room and other facilities at some hospitals could limit full development of outpatient surgery; and (3) outpatient surgery programs could adversely affect hospital staffing by reducing the number of inpatients. In addition, GAO and hospital commanders believe that outpatient surgery programs may not result in savings to the DOD direct care system because: (1) while CHAMPUS is centrally funded and administered, the direct care system is funded and administered by the military services; and (2) patients who would have been treated under CHAMPUS could instead be treated under the direct care system, resulting in increased costs.

Open Recommendations to Agencies

The Secretary of Defense should direct the Assistant Secretary of Defense (Health Affairs) to develop a DOD-wide policy on outpatient surgery programs in military hospitals. This policy should require: (1) the development of a list of surgical procedures, similar to the lists developed by Medicare and CHAMPUS, suitable for performance on an outpatient basis in military hospitals; (2) that analyses be made on a hospital-by-hospital basis to determine whether implementing outpatient surgery programs would be cost beneficial, taking into account the potential for reducing CHAMPUS costs; and (3) the military services to implement formal outpatient surgery programs in all military hospitals where analyses show that this would reduce total DOD health care costs.

Status: Action in process.

GAO/OIRM-86-1 Recommendations

Department of Defense - Military (Except Procurement and Contracting)

Problems in Implementing the Army's Reserve Components Full-Time Manning Program

NSIAD-85-95, 06/04/85

Background

GAO reviewed the Army's Full-Time Manning (FTM) program under which Active Guard/Reserve (AGR) personnel are assigned to Army Reserve units to enhance unit readiness and deployability. The Army plans to significantly expand the program over the next 2 years.

Findings

GAO found many positive aspects of the FTM program such as: (1) the military and educational background of AGR personnel; (2) the effects of increased full-time manning levels in units; (3) plans for professional and technical career development; and (4) the fact that AGR personnel are deployable with their units. However, problems remain in the program. GAO found that the basis for the projected growth in the number of AGR personnel was questionable due to differences in the FTM requirements between Army Reserve and Army National Guard unit models and the application of these models in the field. In addition, some concern has been expressed about the types of positions being filled as well as the numbers of FTM positions. Further, GAO found that program management lacked a clear direction, and Army regulations governing the program have been interpreted differently in the field causing: (1) a

lack of uniformity in personnel practices; (2) overgraded personnel; (3) confusion over the proper role of technicians; (4) problems with displaced reservists and double slotting; and (5) concerns about AGR career viability. Finally, the current system of mixing civilian technical and AGR personnel in units at all levels causes effectiveness problems, particularly in the Army Reserve units. GAO believes that an all-civilian technician force in units would be a less costly alternative than an all-AGR force, but many disadvantages would remain.

Open Recommendations to Agencies

The Secretary of the Army should develop procedures to review the implementation of unit models and the requirements process to ensure that FTM personnel are being properly utilized.

Status: Action in process. Estimated completion date: 03/86

The Secretary of the Army should determine the feasibility of authorizing a training/operations position in company-size units.

Status: Action in process. Estimated completion date: 08/86

The Secretary of the Army should ensure that the provisions of the regulations governing the FTM program are properly implemented in the field. In this respect, the National Guard Bureau should establish procedures to closely monitor activities in the states and determine what degree of centralized control is required to ensure that uniform standards are maintained.

Status: Action in process. Estimated completion date: 08/86

The Secretary of the Army should adhere to established grade structures for the AGR force and revise promotion policies to ensure that promotions are governed by this structure to prevent overgrading.

Status: Action in process. Estimated completion date: 08/86

The Secretary of the Army should develop a plan for using the civilian technicians which removes their positions from deployable troop units and also protects the rights of current technicians and, following the development of such a plan, request that congressional restrictions affecting the movement of technician positions be removed to implement the phase-in of all-AGR full-time force in deployable troop units.

Status: Action in process. Estimated completion date: 08/86

Department of Defense - Military (Except Procurement and Contracting)

Improvements Needed in the Army's Program for Developing Extension Training Materials for Use by Soldiers in Field Units

NSIAD-85-73, 06/17/85

Background

GAO reviewed the Army's program for developing extension training materials to improve individual soldier proficiency in field units, including: (1) indications of low usage of Training Extension Course lessons by soldiers in the field; (2) improvements needed in the process for developing extension training materials; and (3) the need for further evaluation before the Army commits itself to procuring a new electronic information delivery system.

Findings

GAO noted that: (1) Army studies, audits, and other data since 1979 have characterized the use of training materials as low for the extension courses; (2) the Army did not have criteria specifying what acceptable usage levels for individual training materials are; and (3) none of the studies or surveys fully explored the reasons for what was characterized and reported as low usage levels. GAO found that the Army has initiated actions to improve its process for developing extension training materials by issuing guidance for development. The U.S. Army Training and Doctrine Command (TRADOC) stated that materials must be needed and wanted by

field units on the basis of the identification of critical tasks; however, GAO found that TRADOC schools were not obtaining field unit input on needs for extension training materials. GAO also found that: (1) the Army planned to procure a new electronic information delivery system to be distributed on the basis of user demand; (2) the Army needs to proceed cautiously in procuring the new system for field use until after it has made the needed management improvements in the program for developing extension training materials; and (3) TRADOC needs to define what the determination of field needs for training products means and include it in its guidance procedures for obtaining field unit input.

Open Recommendations to Agencies

To improve the extension training materials program, the Secretary of the Army should direct the Commander, TRADOC, to develop criteria for what is to be considered an actual or a stated field need for extension training materials to include what acceptable usage levels for the materials are.

Status: Action in process. Estimated completion date: 06/86

To improve the extension training materials program, the Secretary of the Army should direct the Commander, TRADOC, to delineate procedures in TRADOC guidance which specify: (1) how schools should obtain field input on actual needs; and (2) how this input is to be used in developing materials.

Status: Action in process. Estimated completion date: 06/86

To improve the extension training materials program, the Secretary of the Army should direct the Commander, TRADOC, to obtain feedback on individual training materials usage and effectiveness for the purposes of incorporating lessons learned into the development of requirements for new extension training materials and determining the need to revise existing materials.

Status: Action in process. Estimated completion date: 06/86
Concerning the Army's plans to procure the new video-disc equipment units for field use, the Secretary of the Army should reevaluate the fiscal year 1989 procurement plan using test results of field use and need.

Status: Action in process. Estimated completion date: 06/86

Department of Defense - Military (Except Procurement and Contracting) Military Tour-Length and Tour-Curtailment Policies and Practices

NSIAD-85-114, 07/19/85

Background

Pursuant to a congressional request, GAO reviewed certain aspects of the Department of Defense's (DOD) permanent change of station and tour-length policies and practices to determine: (1) how DOD develops, justifies, and changes overseas prescribed tour lengths; and (2) whether DOD has adequate systems to ensure that service members complete their prescribed tours of duty and that individual tour curtailments are justified and kept to a minimum.

Findings

GAO found that, in fiscal year 1985, DOD will spend about \$2.4 billion to accomplish approximately 1.3 million permanent moves, of which over half are to bring in or separate people from the military, with few options for cost

reduction. However, \$1.2 billion will be spent moving military personnel to and from overseas locations, called rotational moves. GAO also found that increases or decreases in overseas tour lengths can have substantial impacts on the budget, but prescribed tour lengths have remained largely unchanged since they were established in the 1950's. The standard accompanied tours have been 36 months and unaccompanied tours have been 24 months with no documentation explaining the rationale for selecting the tour lengths or what cost trade-offs were considered. In 1980, DOD began permitting first-term, unaccompanied 3-year initial enlistees to serve 18 months in long-term overseas areas, since shorter terms were cost-effective when compared to the problems attributed to long tours. The number of problems has declined, which may be attributed to improved recruit quality and increased pay. GAO believes that

lengthening first-term tours could save as much as \$75 million annually. Limited testing of individual tour curtailments indicated that justifications for approved curtailments generally seemed reasonable. However, because DOD data bases are inadequate, evaluation of variances between prescribed and actual tour lengths could not be done.

Open Recommendations to Agencies

The Secretary of Defense should direct the Army to reevaluate its decision to shorten the first-term tour length to 18 months, taking into account changed conditions since 1980.

Status: Action in process. Estimated completion date: 07/86

Department of Defense - Military (Except Procurement and Contracting) Management of Naval Supply Center Labor Resources Can Be Improved

NSIAD-85-129, 08/09/85

Background

GAO reviewed the effectiveness of labor resource management at seven naval supply centers.

Findings

GAO found that opportunities exist for better labor resource management at the centers. Between fiscal years 1980 and 1984, annual civilian labor costs increased from \$152 to \$259 million. In the late 1960's and early 1970's, Department of Defense (DOD) activities used work measurement techniques as part

of a formal program, reporting annual cost savings of \$121 million. However, by 1974, the Navy began to deemphasize work measurement. GAO found that the Navy Supply Systems Command (NAV-SUP) does not have an effective work measurement system for the supply centers, nor an overall plan to develop and implement one. Instead, the supply centers rely on a management information system that is not effective in evaluating the efficiency of the labor force. Some supply centers have individual ongoing projects to improve work measurement, but they are limited in scope. In 1985,

NAVSUP initiated a project which includes an industrial engineering survey to determine the most efficient material and work processes flow, develop standards to control the movement of materials, and track work processes. In addition, NAV-SUP has initiated a physical distribution resourcing plan to determine the cost of physical distribution work at a supply center, project workloads, and determine a labor rate for workloads to measure performance against. The Navy plans to expand the use of the rate system at supply centers in October 1985.

Open Recommendations to Agencies

The Secretary of the Navy should direct the Commander, NAVSUP, to develop and implement effective work measurement and management information systems for

the naval supply centers. These systems should include: (1) identifying the most efficient way to do a specific task; (2) determining how much time each task should take; (3) collecting accurate labor hour data to compare with the labor standards; (4) reporting and comparing

workload production and labor usage data at the work center level; and (5) using the above information to set productivity goals, analyze labor use, and determine labor resource requirements.

Status: Action in process.

Department of Defense - Military (Except Procurement and Contracting) DOD's Fiscal Year 1986 Ammunition Procurement and Production Base Programs

NSIAD-85-141, 09/16/85

Background

In response to a congressional request, GAO reviewed the military services' justification for their fiscal year (FY) 1986 appropriation requests for ammunition and the Army's request for ammunition production base funding.

Findings

GAO believes that about \$1.1 billion of the services' ammunition requests and \$129.2 million of the Army's production base request should not be provided. GAO found that the Army's request for ammunition was overstated because of excess inventory, purchases that exceeded needs, overstated unit costs, premature procurement, and inclusion of procurements that did not require FY 1986 funds. In addition, delays in developing an acquisition strategy for one weapon system and potential production problems on another have been encountered. The Navy's request for ammunition was overstated due to excess inventory, overstated costs, premature procurement, leftover funding, and technical problems, and there were unresolved issues involving three of its weapon systems which warranted congressional attention. GAO also found that: (1) the Marine Corps' request for ammunition was overstated due to premature procurement and overstated costs; and (2) the Air Force's request for ammunition was overstated due to premature procurement, overstated costs, excess inventories, and technical problems. Finally, the Army's request for its ammunition production base program was overstated because some of the procurement was premature due to design and

technical problems which need resolution and funding that was not needed for a demonstration project.

Open Recommendations to Congress

The House and Senate Committees on Appropriations should reduce the Army's ammunition appropriation request by \$580.2 million for 34 items as shown in appendix VIII.

Target: House Committee on Appropriations

Status: Action in process.

Target: Senate Committee on Appropriations

Status: Action in process.

The House and Senate Committees on Appropriations should reduce the Navy's ammunition appropriation request by \$139.4 million for 11 items as shown in appendix IX.

Target: House Committee on Appropriations

Status: Action in process.

Target: Senate Committee on Appropriations

Status: Action in process.

The House and Senate Committees on Appropriations should reduce the Air Force's ammunition appropriation request

by \$297 million for 11 items as shown in appendix XI.

Target: House Committee on Appropriations

Status: Action in process.

Target: Senate Committee on Appropriations

Status: Action in process.

The House and Senate Committees on Appropriations should reduce the Army's \$368.4 million production base request by \$31.5 million for project 5862447 and \$93.78 million for three binary munitions projects as shown in appendix XII.

Target: House Committee on Appropriations

Status: Action in process.

Target: Senate Committee on Appropriations

Status: Action in process.

The House and Senate Committees on Appropriations should reduce the Army's \$14 million request for Components for Proveout of production facilities by \$4.3 million since the funds requested to demonstrate that the production lines for binary projects can operate as designed are unnecessary.

Target: House Committee on Appropriations

Status: Action in process.

Target: Senate Committee on Appropriations

Status: Action in process.

Department of Defense - Military (Except Procurement and Contracting)

The Army Can Better Integrate Manpower, Personnel, and Training Into the Weapon Systems Acquisition Process

NSIAD-85-154, 09/27/85

Background

GAO reviewed the Army's efforts to improve the integration of manpower, personnel, and training (MPT) into its weapon systems acquisition process.

Findings

GAO believes that: (1) the Army must effectively integrate MPT into the weapon system acquisition process to ensure that, once weapon systems are deployed, they can be properly operated and maintained; and (2) the Army's lack of centralized MPT management impedes its MPT improvement efforts. GAO found that a number of studies by the Army and other organizations have identified major systemic MPT problems that adversely affect the Army's ability to integrate MPT

into the systems acquisition process, including: (1) a lack of leadership in MPT integration; (2) failure to identify MPT requirements early in the acquisition process; (3) failure to define MPT needs for contractors designing weapon systems; and (4) a lack of contract incentives for good MPT planning. GAO also found that the Army is improving its MPT integration efforts by: (1) clarifying the roles of certain key officials in the MPT integration process; (2) testing techniques to identify MPT needs early in the acquisition process; and (3) developing methodologies to identify MPT needs to weapon system contractors. However, GAO noted that there has been little coordination between three major Army commands with MPT responsibilities that are independently implementing MPT im-

provements. In addition, GAO found that the Office of the Deputy Chief of Staff for Personnel, which has primary responsibility for MPT planning, has not established detailed procedures for carrying out MPT responsibilities.

Open Recommendations to Agencies

The Secretary of the Army should ensure that the Deputy Chief of Staff for Personnel establishes and implements detailed procedures and controls for ensuring that all manpower and personnel issues relating to weapon systems are identified, fully developed, analyzed, and resolved.

Status: Action in process.

Department of Defense - Procurement and Contracts

Contract Pricing in the Meals-Ready-To-Eat Program

NSIAD-83-29, 08/08/83

Background

GAO examined the pricing of a contract for the assembly of individual combat meal packages awarded by the Defense Personnel Support Center (DPSC).

Findings

The contract was the first in a series of contracts awarded to the same firm for the assembly of the meal packages, called Meals-Ready-To-Eat (MRE). GAO found evidence that DPSC did not follow sound procurement practices in negotiating the contract. For example, it awarded a fixed-

price contract even though the contractor was a newly formed division with no production history. DPSC deviated from the government's usual practice by agreeing to directly reimburse the contractor for leasehold improvements to a production facility, and it did not try to increase competition for the program by telling other contractors in the request for proposals that it was willing to directly reimburse for investments in facilities. In addition, DPSC did not follow all of the requirements of the Defense Acquisition Regulations (DAR) in preparing memorandum records of negotiations; the memoranda did not adequately demonstrate the reasonableness

of the negotiated prices, the appropriateness of demands and concessions made in negotiations, or the extent to which the government's interests were protected. DPSC obtained a waiver from following the weighted profit guidelines, but the data supporting the basis for the waiver were incomplete. GAO believes that these poor procurement practices, coupled with audit data that should have been considered, led to acceptance of significantly overstated costs, an allowance of greater profit rate than permitted by the weighted guidelines, and direct payment to the contractor for leasehold improvements to an assembly building.

Open Recommendations to Agencies

The Director, DLA, should request that an audit be made to review the pricing of the other MRE program contracts to identify any overpricing or defective

pricing and obtain appropriate price adjustments where indicated.

Status: Action in process.

The Director, DLA, should ensure that its proposed pricing data evaluation on

future MRE contracts include an analysis of the acceptability of the contractors' estimated costs, which should eliminate overpricing and defective pricing as discussed in this report or identified in the recommended review.

Status: Action in process.

Department of Defense - Procurement and Contracts Defense Logistics Agency Could Better Identify and Cancel Unneeded On-Order Material

NSIAD-84-42, 01/10/84

Background

GAO reviewed the Defense Logistics Agency's (DLA) procedures and practices for identifying and cancelling unneeded on-order material.

Findings

GAO found that DLA supply centers do not effectively identify and cancel such material, and management practices contribute to unnecessary procurement costs and inventory investment. To achieve better use of stock fund resources, GAO concluded that DLA needs to: (1) establish internal management controls; and (2) modify its procedures and practices for the identification and cancellation of excessive on-order material.

Open Recommendations to Agencies

The Director, DLA, should direct the centers to establish controls for monitoring and evaluating item manager performance in cancelling unneeded on-order material. As a minimum, such controls should ensure that supervisors routinely review item manager decisions on cancellation notices.

Status: Action in process. Estimated completion date: 12/89

The Director, DLA, should revise the program for computing system due-in review levels to consider all types of dues-in from procurement equally unless

it has been absolutely determined that they are invalid.

Status: Action in process. Estimated completion date: 12/89

The Director, DLA, should revise the program for computing system due-in review levels to limit the amount of buffer stocks included in the determination of cancellation levels. One way this can be done is to adjust the procurement cycle percentage in relation to the length of the procurement cycle.

Status: Action in process. Estimated completion date: 12/89

Department of Defense - Procurement and Contracts Logistics Support Costs for the B-1B Aircraft Can Be Reduced

NSIAD-84-36, 09/20/84

Background

GAO undertook a review to determine whether: (1) reasonable assumptions were being used to determine the B-1B logistics requirements; and (2) aircraft support could be more efficient and economical than that currently planned. GAO focused its review on the planned B-1B logistics support, basing, and maintenance.

Findings

GAO found that, while the Air Force's logistics support for the B-1B has been extensive, its logistics planning has been constrained by the inadequacy of the logistics data developed during the research and development of the aircraft's predecessor and a concurrent development and production schedule which forced Air Force planners to make logistics decisions before they had sufficient data. In addition, the Air Force

had initially planned the combined purchasing of aircraft components for only about 15 percent of the initial spare parts procurement. However, in 1984, the Air Force used combined purchasing to order 68 percent of its initial spare parts procurements and 22 percent of its replenishments spare parts procurements. Furthermore, buying directly from the manufacturers versus buying from four contractors was not considered. The Air Force is planning to deploy the aircraft at four bases. GAO found that an elimination

of one base could potentially save \$78 million in new facility costs, \$55 million in training and support equipment, and about \$25 million per year in personnel costs. GAO believes that deploying some strategic alert aircraft at a fourth location could mitigate the Air Force's concern that fewer bases would increase aircraft vulnerability. Finally, GAO found

that centralizing all B-1B avionics repair could reduce acquisition costs by \$85 million and operating costs by about \$15 million.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Air Force to buy

all investment spares directly from the manufacturers when quality control will not be jeopardized.

Status: Action in process. Estimated completion date: 12/85

Department of Defense - Procurement and Contracts Ambiguous Federal Acquisition Regulation Criteria on Defense Contractors' Public Relations Costs

NSIAD-85-20, 10/29/84

Background

In connection with its study on the regulation of defense contractors' public relations costs, GAO reviewed the final overhead cost settlements at 12 contracting activities.

Findings

GAO found that contractors, the Defense Contract Audit Agency (DCAA), and contracting officers often have differing interpretations on the allowability of certain public relations costs, because the Federal Acquisition Regulation (FAR) contains ambiguous criteria for determining allowable costs. GAO noted that a

disagreement between a contractor and DCAA can lead to complex and involved overhead negotiations. GAO further observed that DCAA had questioned \$4 million in possible public relations costs at the 12 activities reviewed and that contracting officers resolved the questioned costs inconsistently. GAO believes that the clarification of certain FAR would reduce differences and disagreements, administrative burdens, and unproductive audit time.

Open Recommendations to Agencies

The Secretary of Defense should direct the Defense Acquisition Regulatory (DAR)

Council to coordinate with the Civilian Agency Acquisition Council (CAAC) to clarify the FAR criteria for the cost categories of advertising and selling to reduce the ambiguity surrounding these costs.

Status: Action in process.

The Secretary of Defense should direct the DAR Council to coordinate with CAAC to specifically address in FAR the circumstances under which the cost elements of air shows, exhibits, displays, promotions, models, and giveaways will be considered allowable or unallowable.

Status: Action in process.

Department of Defense - Procurement and Contracts The Navy Needs To Strengthen Facilities Construction and Maintenance Contracting Practices and Management Controls

NSIAD-85-16, 01/30/85

Background

GAO reported on its review of 61 naval facility maintenance contracts which were awarded by the Naval Facilities Engineering Command (NAVFAC) between fiscal years 1972 and 1982. GAO chose the contracts for this review because it believed that they showed significant opportunities for contract administration improvement.

Findings

GAO found a need for improvements when procurements are being planned and contracts are being formed. These included the need for better: (1) financial planning; (2) needs determinations; (3) plans and specifications reviews; and (4) preaward contract reviews. Furthermore, GAO found that the following improvements were needed in con-

tract administration: (1) contract enforcement and project acceptance; (2) pricing adjustments; (3) inspection of contractor performance; (4) documentation; and (5) payment procedures. GAO found several factors that contributed to poor procurement practices, including limited organizational oversight and infrequent and cursory examinations by the contracts procedures review boards. Both GAO and the Navy found that problems

tended to be repeated rather than corrected because NAVFAC did not: (1) determine whether prior audit findings were isolated examples or symptomatic of a commandwide condition; or (2) make more than a minimal effort to communicate the problems to other units. GAO also found that yearend spending and an increasing volume of maintenance contracts contributed to poor procurement practices.

Open Recommendations to Agencies

The Secretary of the Navy should direct the Chief of the Naval Materiel Com-

mand and the Commander, NAVFAC, to improve their oversight and controls over activities having NAVFAC contracting authority by: (1) increasing the effectiveness of the contract procedures review board teams by having them perform reviews as required, review contract administration activities by testing the effectiveness of contracting activities' key internal controls, and follow up on deficiencies disclosed in these reviews and deficiencies in other internal and external reviews, the follow-up should include recovering funds improperly expended;

(2) systematically assessing the results of the contract procedures review boards' work and the findings in other audit reports, to determine whether reported problems are isolated or are indicators of problems that might be occurring NAVFAC-wide; and (3) communicating the results of these assessments throughout NAVFAC to alert field units to conditions that may adversely affect their operations so that corrective or preventive actions can be initiated.

Status: Action in process.

Department of Defense - Procurement and Contracts

The Navy Can Increase Cancellations of Procurements for Unneeded Material

NSIAD-85-55, 03/22/85

Background

GAO reviewed the Navy's procedures and practices for cancelling procurements of unneeded material and to determine the controls established by the Naval Supply Systems Command to monitor and evaluate the performance of the inventory control points.

Findings

The review indicated that the number of procurement cancellations can be increased, thereby reducing unnecessary procurement and inventory investment costs. An examination of cancellations for May 1983, the most current month available at the start of the review, showed that potentially excess procurements identified by the inventory control points totalled \$293 million. GAO tests of possible termination actions for that month showed that less than 1 percent was actually cancelled. GAO found that cancellations are not higher for the following reasons: (1) the inventory control points have established high dollar review thresholds; (2) the inventory

control points apply protection levels to provide an added buffer against running out of stock; (3) inventory managers do not always act on cancellation notices in a timely manner; and (4) management and supervisory attention over the cancellation process is limited.

Open Recommendations to Agencies

The Secretary of the Navy should direct the Commander, Naval Supply Systems Command, to reconsider the reasonableness of the termination review threshold amounts and base the threshold amounts on a comparison of the administrative cost of cancelling procurements with the money to be saved by not purchasing unneeded material.

Status: Action in process. Estimated completion date: 05/86

The Secretary of the Navy should direct the Commander, Naval Supply Systems Command, to require that inventory managers review termination notices in a timely and objective manner and give

consideration to making this requirement part of the inventory managers' performance evaluation.

Status: Action in process. Estimated completion date: 03/86

The Secretary of the Navy should direct the Commander, Naval Supply Systems Command, to direct that supervisors regularly review inventory manager decisions on termination notices.

Status: Action in process.

The Secretary of the Navy should direct the Commander, Naval Supply Systems Command, to establish controls for monitoring and evaluating inventory control point performance in cancelling procurements of unneeded material and obtain data on the value of unneeded material actually cancelled.

Status: Action in process.

Department of Defense - Procurement and Contracts

Improvements Needed in DOD Procedures To Prevent Reimbursement of Unallowable Costs on Government Contracts

NSIAD-85-81, 05/07/85

Background

GAO reviewed final overhead cost settlements with defense contractors to determine the extent to which questionable costs were allowed.

Findings

GAO found numerous instances where administrative contracting officers (ACO) allowed costs that the Defense Contract Audit Agency (DCAA) questioned. Overall, 53 percent of the costs questioned by DCAA were allowed as overhead by

ACO. GAO believes that: (1) the discrepancies are caused by varying interpretations of certain ambiguous provisions in the Federal Acquisition Regulation (FAR); and (2) contractors continue to claim reimbursement for unallowable costs, such as advertising and promotional expenses, because ACO often agree to compromise cost settlements that do not address specific cost items. Certain changes have been proposed to FAR that specify the circumstances under which advertising and public relations costs are allowable.

Open Recommendations to Agencies

The Secretary of Defense should direct the Defense Acquisition Regulatory Council to coordinate with the Civilian Agency Acquisition Council to amend FAR section 31.205 to state that all costs made specifically unallowable under any subsection of FAR 31.205 are not allowable under any other subsections of FAR 31.2.

Status: Action in process.

Department of Defense - Procurement and Contracts

The Military Services Sole-Source Procurement of C-12 Aircraft

NSIAD-85-80, 05/15/85

Background

In response to a congressional request, GAO reviewed the acquisition strategy for C-12 aircraft which have been procured on a sole-source basis.

Findings

GAO found that the Army, in making the sole-source procurements, has complied with recurring congressional guidance to acquire a single, common-utility, transport aircraft. After a competitive solicitation was cancelled when only one bidder submitted a proposal, a sole-source contract was negotiated with the offerer. In response to a bid protest, GAO found that the cancellation and sole-source award were in accordance with procurement

regulations, and GAO review of subsequent solicitations found no violations of procurement regulations. However, GAO found that some of the guidelines which Congress set for standardized and consolidated purchases of the aircraft were contrary to the requirements of the Competition in Contracting Act. Furthermore, GAO found that a cost-benefit analysis had not been performed since the initial sole-source award; therefore, the continued use of standardization to justify sole-source procurements was not adequately supported. In addition, GAO found that adequate contractor logistics support could be achieved through a consolidated competitive procurement that included full contractor-provided maintenance and logistics support. Finally, GAO found: (1) indications of potential price savings

which could result from competition; and (2) that changes in performance requirements and the aircraft raised questions regarding standardization as a basis for continued sole-source procurements.

Open Recommendations to Agencies

The Secretary of Defense, after validating future requirements for C-12 type aircraft, should direct that future procurements be competed unless it can be clearly shown that continuing the present sole-source acquisition strategy is warranted under the provisions of the 1984 Competition in Contracting Act.

Status: Action in process.

Department of Defense - Procurement and Contracts

Acquisition of Navy Land-Based Test Sites Can Be Better Managed

NSIAD-85-76, 05/21/85

Background

The Navy has many resources for providing research, development, test, evaluation, training, and operational support for weapons systems, part of which are land-based test sites. GAO discussed the improvements needed in the acquisition management of land-based test sites to ensure that: (1) maximum use is made of existing facilities; (2) duplication between existing and new sites is prevented; and (3) the establishment of new sites is cost-effective.

Findings

GAO found that: (1) the Navy does not adequately demonstrate the need for new facilities prior to purchase which results in noncompliance with the requirements for approving and reviewing the acquisition of new sites; (2) neither the Navy nor the systems commands maintain complete inventories of available test sites which results in duplication; (3) most of the acquisition programs have no documentation to show how the need for the site was identified or if there were alternatives; and (4) there is no requisite for making the establishment of new sites cost-effective. The Navy, therefore, is not ensured that the sites it purchases

are the most cost-effective alternatives and are not duplicating existing facilities. While the Navy has taken steps to change regulations and recordkeeping activities, GAO believes that more could be done.

Open Recommendations to Agencies

The Secretary of the Navy should direct that the Naval Material Command Instruction clearly state: (1) which programs and sites are subject to its requirements; and (2) that the sites selected be evaluated on the basis of cost-effectiveness and needed capability.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Navy should direct that the Chief of Naval Operations Instruction or the Naval Material Command Instruction be revised so that the Instructions agree on the responsibility for identifying the need for land-based test sites. Currently, the Naval Material Command Instruction assigns this responsibility to the program manager whereas the Naval Operations Instruction makes the Chief responsible.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Navy should direct that the Naval Material Command requirement that systems commands maintain complete and up-to-date inventories of in-house and contractor test sites be enforced to aid in making acquisition decisions, and that the Chief of Naval Operations establish a central Navy-wide inventory of test and evaluation facilities.

Status: Action in process. Estimated completion date: 12/85

The Secretary of the Navy should direct the program managers to consider alternatives in selecting sites and include their rationale in the planning documents.

Status: Action in process. Estimated completion date: 01/86

The Secretary of the Navy should direct that the Chief of Naval Operations and Naval Material Command program review and approval process include evaluation techniques that consider the cost-effectiveness of sites selected, the availability of existing facilities, and the extent of duplication between existing and proposed sites.

Status: Action in process. Estimated completion date: 01/86

Department of Defense - Procurement and Contracts Navy Should Join the Air Force and Army Program To Develop an Advanced Integrated Avionics System

NSIAD-85-94, 06/17/85

Background

GAO reviewed Army, Navy, and Air Force integrated communication, navigation, and identification avionics (ICNIA) development programs to: (1) identify existing and future examples of integrated avionics systems and their expected costs and benefits; (2) determine whether existing integration programs are adequately emphasizing long-term efforts that will benefit future generations of military aircraft; and (3) determine whether existing development programs in the services should be merged.

Findings

GAO found that the Air Force and the Army are jointly developing ICNIA technology. While the Navy recognizes the need for ICNIA technology for its future generations of aircraft, it has not

joined the joint development effort because no funds are available, since no Navy aircraft program has specified a requirement for ICNIA technology, and it is concerned that it could become committed to specific hardware configurations before it can determine its specific requirements. GAO also found that ICNIA technology could: (1) reduce the size, weight, and cost of existing single-function avionics systems by up to 50 percent; (2) provide design flexibility to meet changing threats; (3) if standardized, decrease support costs significantly; and (4) enable aircraft to continue missions in the event that individual system components fail. GAO believes that: (1) the incremental cost to the Department of Defense of the Navy's participation in the joint effort would be low compared to the cost of a separate Navy program; (2) the Navy could fund its participation

in the joint effort by using research and development funds; and (3) joint development is more likely to succeed if the Navy participates in the early stages of the program.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Navy to join the ICNIA technology demonstration. This action would give each of the services a voice in advancing state of the art avionics technology and in developing a standard communication, navigation, and avionics system at minimum combined cost for the three services.

Status: Action in process.

Department of Defense - Procurement and Contracts DOD Guidance on the Combined Procurement Procedure Needs Provisions for Audit Verification

NSIAD-85-112, 07/08/85

Background

GAO reviewed existing and proposed Department of Defense (DOD) guidance, DOD and contractor audit reports, and Navy and contractor procurement records on the use of the combined procurement procedure to order spare parts and production components for weapon systems to determine whether DOD guidance was adequate to ensure that savings from the procedure were being realized.

Findings

GAO noted that DOD drafted an instruction on the procurement procedure which: (1) made it mandatory that the combined procurement procedure be considered in acquiring spare parts and production components; (2) expressed a preference for acquiring spare parts directly from subcontractors because of the expectation of prime contractor surcharges; and (3) required that prime contractors furnish DOD with information on the timing of its orders for production components. GAO found that: (1) the Navy did not have a systematic ap-

proach for verifying that the manufacturers actually were combining orders for pricing purposes; (2) the benefits of the combined procurement procedure would be enhanced if audit verification requirements were added to the proposed DOD instruction; and (3) DOD procurement offices must furnish the Defense Contract Audit Agency (DCAA) with information on the numbers, dates, and quantities of all the orders to be combined, rather than just information on the DOD order being audited.

Open Recommendations to Agencies

The Secretary of Defense should add provisions to the proposed DOD instruc-

tion or to other guidance on the combined procurement procedure that would require that whenever DCAA is requested to audit a proposal that it be provided

the necessary information to verify that orders are combined for pricing purposes.

Status: Action in process. Estimated completion date: 12/86

Department of Defense - Procurement and Contracts Army's Quality Deficiency Report System: Generally Effective But Some Changes Needed

NSIAD-85-115, 07/10/85

Background

GAO reported on its review of the Army's Quality Deficiency Report (QDR) System, which is the Army's major initiative to identify and resolve deficiencies in fielded equipment. When a fielded item fails to perform as expected and the user suspects that the problem is quality-related, a report is submitted to the responsible commodity command for investigation and resolution.

Findings

GAO found that, when product assurance personnel investigated a reported deficiency, the investigation generally was

of sufficient scope and depth to identify a satisfactory solution to the problem. However, in a substantial number of cases, investigations could not be conducted because the defective items were not available for examination. Since defective items are not required to be held in a controlled area, they can be lost, damaged, or disposed of after the required 45-day holding period. GAO also questioned whether all quality problems were being reported through the QDR system and the accuracy of the data reported. Army technical personnel stated that the reporting of quality problems might be a low priority at some installations and, in determining whether to report a suspected quality problem, quality technicians might be using criteria that were not consistent with Army guidance.

Open Recommendations to Agencies

To help ensure that defective items are available when needed to facilitate investigation of reported quality problems, the Secretary of the Army should direct Army personnel, at least on a test basis at selected Army installations, to retain the items in controlled storage space until authorized for release by the responsible commodity command.

Status: Action in process. Estimated completion date: 06/86

If the test proves cost-effective, the Secretary of the Army should have the recommended actions implemented Army-wide.

Status: Action in process. Estimated completion date: 07/86

Department of Defense - Procurement and Contracts Leased Military Housing Costs in Europe Can Be Reduced by Improving Acquisition Practices and Using Purchase Contracts

NSIAD-85-113, 07/24/85

Background

GAO reviewed the weaknesses and inconsistencies in the Department of Defense's (DOD) lease acquisition practices for family housing in Europe and actions to improve these practices.

Findings

GAO noted that the shortage of adequate local housing with acceptable DOD stan-

dards of construction has required DOD to provide much of the needed housing through leasing construction agreements. GAO found that: (1) the military services' major commands responsible for leasing housing in Europe have developed different procurement procedures and practices for awarding and administering leases; (2) practices in awarding leases were inconsistent with those applying to

supplies and services established to ensure the United States obtains the best contract agreements at a reasonable cost; and (3) the services have different interpretations of congressional reporting requirements for lease agreements. GAO noted alternatives for reducing long-term lease costs, including: (1) the inclusion of buy-out provisions providing the United States the opportunity to buy the hous-

ing during or at the end of the lease period; (2) granting the services legislative authority to enter into purchase contract arrangements for foreign family housing; and (3) agreements with contractors for the construction and financing of family housing requiring installment payments for interest and amortization of the project's costs and profit. GAO found that congressional actions have been taken to: (1) direct that economic analyses be made to evaluate the comparative cost of new lease proposals with other alternatives for furnishing needed housing; (2) instruct that buy-out provisions be included in all new leasing construction agreements; and (3) increase appropriation of military construction funds.

Open Recommendations to Agencies

To ensure that the military services follow consistent leasing procedures and practices and comply with congressional committee lease acquisition reporting requirements, the Secretary of Defense should direct the services to jointly develop and issue guidance on uniform policies and procedures for acquiring foreign leased family housing and for complying with the congressional committee reporting requirements for lease awards. This guidance should: (1) be consistent

with those acquisition principles for advertising, evaluating, and negotiating contained in DOD regulations for other types of procurement; (2) require the services to provide, in leases having escalation of net rental clauses, that rental payments will not exceed the amount of appropriations available at the time payments are due or the statutory limit established for such year under 10 U.S.C. 2828(e) and that nothing in the lease can be considered as implying Congress would, at a later date, appropriate sufficient funds to meet deficiencies; and (3) include congressional committee reporting requirements for lease awards on groups of leases with the same lessor and renewals of existing leases.

Status: Action in process. Estimated completion date: 07/86

To resolve the military services' concerns over the legal propriety of buy-out provisions, the Secretary of Defense should evaluate and propose legislation to Congress on the type of buy-out provisions that should be permitted in foreign leases.

Status: Action in process. Estimated completion date: 11/86

The Secretary of Defense should require the services to obtain assurances from host-country governments that the United States would be able to exercise the buy-out provisions.

Status: Action in process. Estimated completion date: 11/86

To provide the military services with another alternative method of acquiring needed housing in Europe, the Secretary of Defense should propose to Congress specific legislation granting the military services authority to use purchase contracting, when appropriate.

Status: Action in process. Estimated completion date: 11/86

If purchase contracting authority is granted by Congress, the Secretary of Defense should require the military services to: (1) prepare economic analyses comparing the costs of purchase contract arrangements with other alternatives; and (2) seek host-country governments' support before entering into purchase contracts.

Status: Action in process. Estimated completion date: 11/86

The Secretary of Defense should direct the Navy to seek amendment to the Italian leases and any others that have been awarded containing provisions on escalation of rental in indefinite or indeterminate amounts.

Status: Action in process. Estimated completion date: 07/86

Department of Defense - Procurement and Contracts Federal Regulations Need To Be Revised To Fully Realize the Purposes of the Competition in Contracting Act of 1984

OGC-85-14, 08/21/85

Background

In response to a congressional request, GAO reviewed whether the changes made to various federal regulations conformed with the Competition in Contracting Act of 1984 and obtained information on how many agencies have issued their own acquisition regulations and how many have revised them based on the act.

Findings

GAO found that some Federal Acquisition Regulation (FAR) provisions are inconsistent with the congressional intent of the act. The use of the act's first exception to competitive procedures is not limited in the FAR as specified in the conference report. In addition, the FAR permits justifications under the first six of seven exceptions to the competitive procedures to be made on a class rather

than case-by-case basis, contrary to the conference report. In addition, the FAR is inconsistent with statutory requirements relating to publicizing proposed contract actions, reporting contract awards to the government data base, and notifying unsuccessful offerers. GAO found that some FAR provisions could better meet the objectives of the act if they: (1) gave agency heads discretion and contracting officers more discretion in requiring con-

tractors to submit certified cost or pricing data on awards under \$100,000; and (2) sufficiently strengthened the requirements relating to procurement planning. In addition, GAO found that some Federal Information Resources Management Regulation (FIRMR) references to FAR provisions are inconsistent with the intent of the act. Furthermore, the FIRMR has not been revised to reflect congressional intent regarding the award of follow-on contracts under the act's first exception to competitive procedures. Finally, GAO found that, as of May 1985, 13 of the 21 agencies and 3 subagencies that have acquisition regulations implementing or supplementing the FAR have not revised them to conform to the act or the circular which amends the FAR.

Open Recommendations to Agencies

The Secretary of Defense and the Administrators of General Services, the National Aeronautics and Space Administration (NASA), and the Office of Federal Procurement Policy (OFPP) should amend FAR 6.302.1 to provide that contracts based on acceptance of unsolicited proposals may be considered to be "available from only one source" only if the source has submitted an unsolicited research proposal that demonstrates a unique and innovative concept the substance of which: (1) is not otherwise available to the United States; and (2) does not resemble the substance of a pending competitive procurement. FAR 6.302-1 should also provide that this authority is strictly limited to state of the art proposals which represent advanced scientific knowledge and, even under the conditions cited above, agencies should seek proposals wherever possible from competing researchers to ensure that the best proposal available is selected.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 6.302-1 to provide that follow-on contracts may be deemed to be available from only the original source and may be procured through procedures other than competitive procedures only when the follow-on contract is for the continued development or production of a major system or highly specialized equipment, and it is likely that award to a source other than the original source would result in: (1) substantial duplication of cost to the government which is not expected to be recovered through competition; or (2) unacceptable delays in fulfilling the executive agency's needs.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 6.302-1 to provide that this authority is limited to follow-on contracts awarded: (1) after an original competitive award; and (2) if the basis for the decision is "substantial duplication of cost to the government which is not expected to be recovered through competition," after a cost/benefit analysis has been performed which determines and documents the decision.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 6.302-1(b)(4), which relates to limited rights in data, patent rights, copyrights, and other circumstances, to also require that "no other type of supplies or services will satisfy agency requirement."

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 6.302-1(c)(2) to provide guidance regarding what constitutes "considering" responses to the required Commerce Business Daily notices of proposed contract actions. The guidance should indicate that each response should be given sufficient consideration to make an informed judgment on whether the offerer might be capable of satisfying the government's need.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 6.303-1(c) to preclude justifications under the first six exceptions to full and open competition from being made on a class basis. Also, FAR 6.304(c), which states requirements relating to class justifications, should be deleted.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 6.303 to require agencies acquiring goods and services from another agency's sole-source contract to justify the sole-source procurements themselves.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 5.202(a)(1) so that the exception to the requirements to publicize proposed contract actions in the Commerce Business Daily is narrower and conforms to statutory requirements. That is, a notice should not be required if the notice would disclose the agency's needs and the disclosure of such needs would compromise the national security. FAR should also be revised to require each contracting agency to establish procedures for: (1) determining whether the disclosure of particular classified information in such notices would compromise the national security; and (2) if it would not, take the steps necessary to have the information properly declassified before its disclosure.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 5.202(a)(5) to provide that a notice is not required if the procurement is for utility services, other than telecommunication services, and only one source is available.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 502(a)(7) to provide that a notice is not required if the proposed procurement would result from acceptance of any unsolicited proposal that demonstrates a unique and innovative research concept and the publication of any notice of such unsolicited research proposal would disclose the originality of thought or innovativeness of the proposal or would disclose proprietary information associated with the proposal.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 5.201(b) and 5.205(c)2) to delete the current exemptions from publicizing proposed contract actions that are to be made outside the United States, its possessions, and Puerto Rico.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 5.07 to require notices of proposed contract actions to also state whether an offerer must meet a qualification requirement to be eligible for award.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 4.6, or the Federal Procurement Data System reporting manual to which it refers should be revised, to incorporate the requirements of section 19 of the Office of Federal Procurement Policy Act which were added by section 2732(a) of the competition act. These requirements: (1) specify the information that executive agencies are required to collect and transmit to the Federal Procurement Data System; and (2) provide for a 5-year retention period.

Target: Office of Federal Procurement Policy

Status: Action in process.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR subpart 4.6, or the Federal Procurement Data System reporting manual and Standard Form 279 which is used to collect information on contract actions, to require information that must be collected with respect to each procurement carried out using competitive procedures to be categorized separately from other procurements using competitive procedures if the procurement results in the submission of a bid or proposal by "only one responsible source."

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 10.002(b) to provide that, whenever practical, agencies should tell contractors what the government needs in functional terms.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 15.1001(a) to require notice to unsuccessful offerers in all situations where contracts are awarded based on competitive proposals.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 15.804-2(a)(ii) and (iv) to require certified cost or pricing data before modification of any contract and the subcontracts identified in that provision, when the modification involves a price adjustment expected to exceed \$100,000, "or such lesser amount as may be prescribed by the agency head."

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR 15.804-2(a)(2) to provide more discretion to contracting officers to obtain certified cost or pricing data on awards under \$100,000 when they decide it is necessary to ensure that prices are fair and reasonable. This includes permitting contracting officers to require certified cost or pricing data on awards of \$25,000, or less.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR part 7 to require agency heads to establish procurement planning systems and procedures that include: (1) procurement procedures providing leadtime and cutoff dates for preparing solicitations, obtaining and evaluating bids or proposals, making preaward surveys, performing contract audits, negotiating, and making contract awards in an orderly manner; (2) procedures for developing, monitoring, and updating procurement plans; and (3) review procedures for last-quarter spending.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should amend FAR part 7 to state that a prime objective of these procedures should be to ensure that the efforts of all personnel responsible for the procurement of property and services are coordinated as early as practicable to obtain required items of requisite quality, on time, and at the lowest price. Consistent with that objective is the responsibility to eliminate inefficiencies normally associated with hurried or unnecessary end-of-year procurements and to award contracts on a competitive basis as required by applicable laws and regulations.

Target: Department of Defense

Status: Action not yet initiated.

Target: General Services Administration

Status: Action not yet initiated.

Target: National Aeronautics and Space Administration

Status: Action not yet initiated.

Target: Office of Federal Procurement Policy

Status: Action not yet initiated.

The Administrator of General Services should take action to promptly resolve the problem of FIRMR references to FAR provisions that are inconsistent with the act, as discussed in chapter 2 of this report.

Status: Action not yet initiated.

The Administrator of General Services should revise FIRMR to state that follow-on contracts should not be used to perpetuate any contract that involves obsolete or outmoded facilities, systems, or processes.

Status: Action not yet initiated.

The Administrator of General Services should revise FIRMR to require: (1) the use of brand name or equal purchase descriptions to be justified as restrictive specifications; and (2) agencies to install effective management procedures or controls to ensure that use of the more restrictive types of specifications, such as compatibility limited and brand name or equal, does not unnecessarily restrict competition.

Status: Action not yet initiated.

The Secretaries of Agriculture, Health and Human Services, Housing and Urban Development, Labor, State, Transportation, and the Interior, and the heads of the Department of Justice, Federal Emergency Management Agency, International Trade Commission, National Science Foundation, U.S. Information Agency, and the Veterans Administration should take prompt action to revise their acquisition regulations to conform to the competition act.

Status: Action not yet initiated.

The Administrator of the Agency for International Development (AID) should revise AID Acquisition Regulation 715.613-70 and 71 to remove the restrictions to full and open competition for all acquisitions other than those specifically authorized by statute and bring the regulations into conformity with the competition act.

Status: Action not yet initiated.

The Secretaries of the Interior, Health and Human Services, and the Treasury should direct appropriate officials in the Bureau of Indian Affairs, the Public Health Service, and the Bureau of Engraving and Printing, respectively, to take prompt action to either revise the sub-agency acquisition regulations to conform to the competition act or rescind them.

Target: Department of the Interior

Status: Action not yet initiated.

Target: Department of Health and Human Services

Status: Action not yet initiated.

Target: Department of the Treasury

Status: Action not yet initiated.

Department of Defense - Procurement and Contracts

Consolidating Procurements of Medical Equipment Could Save Money

NSIAD-85-125, 08/27/85

Background

GAO conducted a review to determine whether medical equipment purchased locally by Department of Defense (DOD) and Veterans Administration (VA) medical facilities could have been more efficiently and economically procured in large quantities through consolidated procurement.

Findings

GAO found that: (1) DOD and VA facilities buy about 75 percent and 51 percent, respectively, of the value of their equipment requirements locally and procure the rest centrally; (2) DOD could have obtained price savings averaging 11 to 15 percent by centrally procuring certain items; (3) DOD has achieved some savings by using indefinite delivery type contracts to centrally procure some medical equipment; and (4) it could not determine whether VA might have achieved savings through consolidated procurement because of a lack of VA centralized procurement data. DOD and VA officials mentioned several factors that could limit the number of medical items that could be centrally procured, including: (1) physicians' preferences for certain brands of equipment; (2) the need for compatibility with existing equipment; (3) equipment maintenance by vendors; and (4) procurement timeliness. However, GAO found that: (1) while such problems might limit the centralized procurement of some items, they should not

prevent DOD and VA from identifying additional equipment that could be procured centrally more economically; (2) even where purchases of different equipment are judged to be appropriate, cost savings could still be achieved through consolidated procurement; and (3) while some delays might occur initially because of the time involved in awarding centralized contracts, close coordination between services and procuring activities should minimize delays. GAO noted that DOD is implementing a plan to increase the consolidated procurement of medical equipment.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should: (1) develop procedures for systematically aggregating and analyzing data on medical equipment procured repetitively on a local basis by VA medical facilities; and (2) take steps to consolidate purchases of those equipment items when there is a reasonable basis to conclude that they would be more efficiently procured centrally using either definite quantity/definite delivery contracts or indefinite-type delivery contracts awarded competitively whenever possible and to single suppliers of an item whenever appropriate.

Status: Action in process.

The Secretary of Defense should ensure that the DOD plan as described in its

report, "Centralized/Consolidated Medical Equipment Procurement," is properly carried out.

Status: Action in process.

The Secretary of Defense and the Administrator of Veterans Affairs should give maximum consideration to identifying items for consolidated procurement from available records. Implementing a more comprehensive system based on the needs of the agencies and the medical facilities and the cost versus the benefits attainable through centralized procurements.

Target: Veterans Administration

Status: Action in process.

Target: Department of Defense

Status: Action in process.

The Secretary of Defense and the Administrator of Veterans Affairs should consider beginning a program, similar to the program established for drugs and medical supplies, to share procurement of those common medical equipment items which can be procured more efficiently on this basis.

Target: Veterans Administration

Status: Action in process.

Target: Department of Defense

Status: Action in process.

Department of Defense - Procurement and Contracts

DOD's Industrial Modernization Incentives Program: An Evolving Program Needing Policy and Management Improvement

NSIAD-85-131, 09/06/85

Background

GAO reviewed the adequacy of the Department of Defense's (DOD) Industrial Modernization Incentives Program (IMIP) test and resulting draft guidance. Through IMIP, DOD provides contractors incentives to invest in capital equipment and manufacturing processes in order to lower costs of weapons systems and improve the industrial base. The Deputy Secretary of Defense established a steering group to direct and monitor a test of IMIP and develop program policy and guidance based on an assessment of the services' experience.

Findings

GAO found that: (1) although IMIP has demonstrated the potential for reducing acquisition costs and providing other benefits, visibility and accountability will continue to be hampered unless there is a uniform system for reporting actual and projected benefits and guidance is developed to incorporate projected

benefits into budget and cost estimates; (2) although the steering group developed draft policy guidance which adequately discussed management issues, additional clarification of the impact, results, and intent of various options will help to ensure that IMIP achieves the maximum benefit for the least cost; and (3) the development of programming and planning structures for identifying areas in the industrial base where problems may arise in meeting future defense requirements needs further development to ensure that IMIP achieves the maximum benefit for DOD.

Open Recommendations to Agencies

The Secretary of Defense should establish an IMIP reporting system that, at a minimum, collects data in both discounted and then-year dollars on gross benefits and government costs.

Status: Action in process.

The Secretary of Defense should develop guidance specifying how and when IMIP benefit projections should be included in weapon system program cost estimates and budgets.

Status: Action in process.

The Secretary of Defense should direct the IMIP steering group to: (1) expand the review of experience gained during the test and, to the extent possible, clarify draft policy and guidance; and (2) monitor the continuing implementation of IMIP after the test and revise policy and guidance based on these evaluations.

Status: Action in process.

The Secretary of Defense should review the IMIP planning and programming process in each service to ensure that the processes contain adequate structure to ensure IMIP efforts are directed toward those areas with the greatest potential benefits.

Status: Action in process.

Military Pay

Army Incentive Funds Need More Effective Targeting To Reduce Critical Personnel Shortages

FPCD-83-10, 03/02/83

Background

GAO reported on its review of the Army's Selected Reserve Incentive Program. The purpose of the review was to determine whether the Army is: (1) targeting incentive funds to correct the more critical personnel shortages in units and skills; and (2) adequately evaluating the effects of the incentives on strength levels.

Findings

Although Army policy is to target incentives to high-priority units and critical skills, GAO found that about one-third of the incentives awarded in fiscal year 1981 went to persons with noncritical skills in low-priority units. The poor use of incentive funds resulted from changes in criteria the Army used to determine

eligibility for incentives. GAO found that units no longer classified as high priority continued to be eligible to award new incentives. Moreover, GAO found that the Army did not know whether incentives were being effectively targeted because it had not developed an adequate reporting system on their use. Beginning in fiscal year 1983, the Army deleted low-priority units from incentive eligibility

and began basing eligibility for critical skills on specific occupations rather than the broader career management fields. Although expenditures for the incentive program have increased, the Army has not determined the effectiveness of the incentives in assisting selected reserve recruiting and retention efforts. Data are not available to determine whether the program is reducing personnel shortages in essential units and skills or to assist Congress to determine whether the program should be modified.

Open Recommendations to Agencies

The Secretary of the Army should develop and implement a plan for evaluating the incentive program which would provide significant, valid, and reliable information on the effect of the program on essential skills or units.

Status: Action in process. Estimated completion date: 12/85

The Secretary of the Army should use the results of the evaluation as a basis for making any necessary program adjustments.

Status: Action in process. Estimated completion date: 12/85

The Secretary of the Army should discuss evaluation results when testifying in connection with congressional oversight hearings and appropriations requests.

Status: Action in process. Estimated completion date: 12/85

Weapons Systems

The Army's AH-64 Helicopter and HELLFIRE Missile Retain Risks as They Enter Production

C-MASAD-83-9, 01/26/83

Background

GAO reviewed the risks still facing the AH-64 advanced attack helicopter and the Hellfire missile upon entering production and the progress the Department of Defense (DOD) has made in addressing these risks. The programs' affordability will continue to meet congressional questioning as future production increments are considered for funding.

Findings

GAO found that there are no indications at this time that either the AH-64 or Hellfire programs should not continue on their present schedules. However, some aspects of both programs bear watching if they are to continue the progress they

have made in the past year. GAO pointed out that the government must complete testing and evaluation to verify the success of modifications made to certain critical components which earlier had exhibited some performance problems. DOD officials have closely managed the production aspects of both programs, and many uncertainties have become better understood. Projected costs for building the AH-64 and the Hellfire have escalated the original procurement cost figures and, the Army has reduced significantly the number of helicopters to be procured. GAO stated that the actual affordability of the programs cannot be adequately determined until the production stage has begun and several areas of uncertainty are clarified.

Open Recommendations to Agencies

The Secretary of Defense should develop firm Hellfire quantity requirements, including those needed for testing and training and have their cost reflected in the total program cost.

Status: Action in process.

The Secretary of Defense should have an Army test and evaluation agency conduct realistic operational testing of the automatic test station and evaluate the results before its fielding.

Status: Action in process.

Weapons Systems

Intermediate-Level Maintenance for Navy Tactical Missiles Can Be Better Managed

NSIAD-84-64, 03/05/84

Background

GAO reviewed the Navy's management of intermediate-level maintenance for tactical missiles.

Findings

GAO found that the cost of missile maintenance reached about \$23 million in fiscal year 1983 and, although the Navy has made some maintenance improvements, it needs to make further improvements if maintenance activities are to be effectively managed. GAO believes that better

techniques are needed to monitor and evaluate the performance of missile maintenance activities for air- and surface-launched missiles.

Open Recommendations to Agencies

The Secretary of the Navy should direct both air- and surface-launched missile maintenance managers to: (1) collect actual labor-hour expenditure data from their activities; (2) analyze and compare these data; and (3) based on the data, set

specific goals for improving maintenance productivity.

Status: Action in process. Estimated completion date: 12/85

The Secretary of the Navy should direct the surface-launched missile maintenance managers to develop work-measurement standards for the major intermediate-level maintenance jobs.

Status: Action in process. Estimated completion date: 04/86

Weapons Systems

Results of Forthcoming Critical Tests Are Needed To Confirm Army Remotely Piloted Vehicle's Readiness for Production

NSIAD-84-72, 04/04/84

Background

GAO reviewed the changes made in the Army's remotely piloted vehicle (RPV) program during the past 2 years and analyzed the work that remains ahead. This report is one in a series of annual reports on the status of selected major weapon systems.

Findings

The Army is developing the RPV to provide field surveillance information which it relays to supporting ground units. GAO noted that the cost of the RPV program is estimated to be \$2.44 billion, an increase of \$1.9 billion since the baseline estimate in 1978. A major

part of this increase was due to technical problems, reduced funding allocations which lengthened the program's schedule, and the addition of an infrared vision system. The remaining increase is attributable to changes in the system's concept that involve enhancements necessary to expand mission capabilities. GAO believes that the number of enhancements may represent too ambitious a program and that the potential exists for additional substantial cost increases. While most of the subsystems which had earlier technical difficulties have shown good progress when tested individually, their integration may prove difficult and this may delay initial production. Other significant problems which developed during the past year involved the vehicle's weight and the software which overtaxed the

computer's internal capacity. GAO found that the tight development schedule allows little room for setbacks.

Open Recommendations to Agencies

The Secretary of the Army should determine, through analysis, whether the number of air vehicles under the new employment concept provides enough flight hours of air coverage for the artillery mission and other missions being contemplated.

Status: Action not yet initiated. DOD will initiate action after the Army Systems Acquisition Review Council/Defense Systems Acquisition Review Council III decision in March 1986.

Weapons Systems

The Advanced Medium Range Air-to-Air Missile: Resolve Uncertainties Before Production

C-NSIAD-84-18, 05/07/84

Background

GAO conducted a review to examine the potential usefulness and progress of the Advanced Medium Range Air-to-Air Missile (AMRAAM) System which the Air Force and the Navy are developing.

Findings

GAO found that the AMRAAM might go into production without adequate assurance that it will be operationally effective. If all goes as planned, the Air Force will exercise several priced production options while some initial operational testing and evaluation is still going on.

However, the risks involved in committing resources before completing testing may be greater than the Air Force currently envisions due to potential delays in development and testing schedules. If such delays occur, the Air Force will have inadequate information on the expiration dates for the production options. In addition, GAO found that the program's estimated cost has more than tripled since concept validation began 4 years ago, it does not include all costs, and there is some uncertainty associated with certain cost elements. If costs are not controlled, potential cost increases could affect the procurement rate, inventory levels, and the overall combat effectiveness of the program. Finally, GAO found that

the Air Force's cost-effectiveness study excluded some significant costs and did not consider recent cost increases.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Air Force to explore the feasibility of negotiating a contract modification which would provide that production options not expire until specific test objectives have been achieved in initial operational test and evaluation with F-15 and F-16 aircraft.

Status: Action in process.

Weapons Systems

DOD Needs To Provide More Credible Weapon Systems Cost Estimates to the Congress

NSIAD-84-70, 05/24/84

Background

In response to a congressional request, GAO reviewed the Department of Defense's (DOD) cost estimating process on seven selected weapon systems. GAO noted that, while its sample does not permit a projection of the results servicewide or DOD-wide, the cases do illustrate the types of problems that have hampered effective cost estimating for weapon systems.

Findings

GAO found that, while DOD has initiated efforts to improve cost estimating and reporting, the estimating process could be further improved with better guidance, assumptions, and methodologies. In particular, GAO noted that some guidance

provided in DOD and service instructions is vague and conflicting and that guidance is not always strictly implemented to ensure that estimates are properly structured, documented, and developed. In addition, while DOD instructions call for the use of realistic factors and assumptions, management's efforts to keep cost estimates as low as possible sometimes lead to optimistic estimates. GAO also believes that the recommendations of independent estimators should be thoroughly considered and that the reasons for not accepting such estimates should be documented. Finally, GAO stated that DOD reports to Congress on the cost, schedule, and performance of major weapon systems could be improved by expeditiously recognizing total anticipated program costs and reflecting them in the reports.

Open Recommendations to Congress

Congress may wish to require DOD to certify that the cost estimates it reports are prepared according to sound cost estimating guidelines and represent the total cost for the weapon systems program. Programs in danger of breaching these estimates should undergo a rigorous evaluation by DOD and Congress.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Defense should ensure that all estimates are fully documented.

Status: Action in process.

The Secretary of Defense should ensure that appropriate methodologies are used to develop the estimate.

Status: Action in process.

The Secretary of Defense should ensure that the estimate is updated when significant changes occur in the program.

Status: Action in process.

The Secretary of Defense should revise OSD and service cost estimating guidance to ensure that it is clear and consistent.

Status: Action in process.

Weapons Systems

Requisitions for M1 Components Are Not Justified by Past Demands

NSIAD-84-118, 05/29/84

Background

During a review of the fielding of the M1 tank in Europe, GAO examined Army general supply policies and new equipment spare parts provisions actions by the U.S. Army, Europe.

Findings

GAO found that two Army units had requisitioned M1 tank components valued at \$511,000 which were not justified by past demands. The units requisitioned direct exchange assets to eliminate identified shortages based on inventory control recommended supply levels for the number of tanks fielded. However Army Regulation (A.R.) 710-2 provides that a reparable component must have at least six demands per year to be added to the direct exchange stock list and three

demands per year to be retained on the list. A sample of M1 component demand histories identified 21 items that had not experienced the minimum number of requests to be retained on the list. GAO reported that the requisitions were inappropriate based on the M1 tank's record of operational readiness, Army supply policies, and actual parts demands.

Open Recommendations to Agencies

The Commander-in-Chief of the U.S. Army, Europe, should cancel the requisitions submitted by VII Corps' support activity for those components listed in enclosure I of this report.

Status: Action in process.

The Commander-in-Chief of the U.S. Army, Europe, should apply direct exchange supply policies in A.R. 710-2 to the remaining M1 direct exchange component requisitions submitted by VII Corps' support activity and cancel those which are not justified by demands.

Status: Action in process.

The Commander-in-Chief of the U.S. Army, Europe, should cancel the division's requisitions listed in enclosure II of this report.

Status: Action in process.

The Commander-in-Chief of the U.S. Army, Europe, should base future requisitions on the policies in A.R. 710-2.

Status: Action in process.

Weapons Systems

Why Some Weapon Systems Encounter Production Problems While Others Do Not: Six Case Studies

NSIAD-85-34, 05/24/85

Background

GAO identified the causes of early production problems six weapons systems experienced and how such problems might be avoided in future acquisitions. The programs reviewed were the: (1) Copperhead projectile; (2) Black Hawk Helicopter; (3) High Speed Anti-Radiation Missile (HARM); (4) Tomahawk cruise missile;

(5) F-16 fighter; and (6) Air-Launched Cruise Missile.

Findings

The Department of Defense's (DOD) policy regarding production management states that: (1) production engineering and production planning should be done throughout full-scale development; (2) voids in production technologies should

be identified and addressed; and (3) contractors should demonstrate the capability to produce within cost and schedule. GAO found that production preparations for the Copperhead, Black Hawk, Tomahawk, and HARM programs were sporadic and underfunded which resulted in increased costs, delayed deliveries, and slower attainment of higher, more efficient production rates. GAO noted several condi-

tions under which the development phase strongly influenced production, including whether: (1) pressures to achieve technical performance requirements dominated the development phase; (2) sufficient program management attention and staff resources were devoted to production concerns; and (3) funding and quantity stability permitted early consideration of production matters during the development phases. In the six weapons reviewed, the degree to which technical performance concerns could be balanced with production concerns was directly affected by the: (1) technical requirements of the weapons; (2) structure of competition between contractors during development; and (3) weight given to production concerns in subsequent program decisions. GAO found that production

readiness reviews can be used as tools for managing production preparations and facilitating reduced production risks.

Open Recommendations to Agencies

When establishing those elements of a new weapons system development program which directly affect the balance between technical concerns and production concerns, such as technical performance requirements and the terms of competition, the Secretary of Defense should ensure that provisions are also made to induce an adequate level of production preparations to be conducted early and continuously throughout the weapon's development.

Status: Action in process.

The Secretary of Defense should ensure that, when contemplating decisions which have known production risks in weapon programs such as those regarding requirements changes and funding reductions, decisionmakers explicitly assess those risks before making decisions.

Status: Action in process.

The Secretary of Defense should employ production readiness reviews as a tool for managing production preparations to progressively reduce production risks, beginning early and repeating them at intervals during full-scale development.

Status: Action in process.

Weapons Systems

Production of Some Major Weapon Systems Began With Only Limited Operational Test and Evaluation Results

NSIAD-85-68, 06/19/85

Background

GAO reviewed selected major weapon system programs and the performance of operational test and evaluation (OT&E) to determine: (1) whether the Department of Defense (DOD) obtains sufficient OT&E results before production begins on weapon systems that are concurrently developed and produced; and (2) the adequacy of OT&E information contained in annual DOD Congressional Data Sheets.

Findings

GAO found that planned OT&E for concurrently developed and produced weapon systems is not performed before beginning production start-up. GAO believes that OT&E results are needed to provide early identification of problems and to help prevent costly retrofits and performance shortcomings. GAO also found that test results omitted

or misrepresented in congressional data sheets do not adequately demonstrate weapon system performance capabilities and create misleading impressions of those capabilities. One reason for this may be that the military services' instructions on preparing the data sheets do not contain specific guidance on the type of information that should be included in these documents.

Open Recommendations to Agencies

The Secretary of Defense, in an effort to improve the quality of information to decisionmakers in the acquisition of major weapon systems, should ensure through the Director of OT&E that test results critical to assessing mission performance are available before production start-up.

Status: Action in process.

The Secretary of Defense should require the Office of the Director of OT&E to provide its views to the Senate and House Committees on Appropriations and Armed Services on the impact of not performing OT&E critical to assessing mission performance before production begins. This is particularly important when planned OT&E is not accomplished.

Status: Action in process.

To improve the reporting of OT&E results to Congress, the Secretary of Defense should direct the military departments to expand their implementing instructions on preparing congressional data sheets to include a more complete and accurate portrayal of OT&E results on major weapon programs.

Status: Action in process.

Natural Resources and Environment

Conservation and Land Management

Lands in the Lake Chelan National Recreation Area Should Be Returned to Private Ownership

CED-81-10, 01/22/81

Background

GAO was requested to examine the land acquisition and management practices of the National Park Service (NPS) at Lake Chelan National Recreation Area. Through the law which established this area, it was congressional intent that land acquisition costs be minimal, that a private community in the recreation area continue to exist, that commercial development not be eliminated, and that additional compatible development be permitted to accommodate increased visitor use.

Findings

NPS has not acted in accordance with congressional intent. NPS has spent millions of dollars to acquire over half of the privately owned land in the recreation

area. Moreover, it plans to acquire most of the area's remaining privately owned land. These additional land acquisitions are planned without a clear definition of the uses that are incompatible with the enabling legislation. The acquisitions are based on the premise that NPS must acquire the major areas subject to subdivision to prevent a prospective boom in recreational homesites. NPS has also prohibited new private commercial development to increase lodging accommodations and to provide needed restaurant and grocery services for both residents and visitors.

Open Recommendations to Congress

Congress should exempt land acquired pursuant to P.L. 90-544 from the 2-year

limitation in 16 U.S.C. 4601-22(a). This would give the last owner(s) the right to match the highest bid price and reacquire property sold to NPS.

Status: Action not yet initiated.

Congress should not increase the statutory land acquisition appropriation ceiling for the North Cascades National Park and the Ross Lake and Lake Chelan National Recreation Area above the \$4.5 million already approved until NPS has defined compatible and incompatible development, prepared a land acquisition plan justifying the need to acquire land from private owners, and spent the funds obtained from selling all compatible land back to private individuals.

Status: Action in process.

Conservation and Land Management

Public Rangeland Improvement: A Slow, Costly Process in Need of Alternate Funding

RCED-83-23, 10/14/82

Background

GAO conducted a review to determine the status of and progress being made under the Bureau of Land Management's (BLM) programs for managing and protecting public rangelands in 16 western states.

Findings

Since 1977, BLM has made some progress in meeting a congressional mandate to improve the unsatisfactory conditions of public rangelands in the western states. BLM has issued over 20,000 grazing permits or leases to individuals and corporations who use federal rangelands. Permits with allotments range from large

ranchers to some with a few animals. Because BLM has used varying methods over the years to assess range conditions, the assessments' results cannot be directly compared to show the overall effects of BLM management actions. Nevertheless, the assessments indicate that most of the rangelands are in unsatisfactory condition and produce less than their potential. The current BLM method of determining and classifying range conditions is not directly related to management objectives. In addition, field offices use different methods to gather rangeland trend and forage consumption data. GAO believes that more consistency in data gathering is needed among districts with the same

rangeland types and with similar resource conditions and problems. A 1975 court order has delayed development and implementation of range management plans until site-specific environmental impact statements are completed. The decreasing availability of improvement funds caused by budget cuts and declining grazing fees, coupled with the increasing cost of range improvements will further delay BLM progress in improving range conditions and productivity.

Open Recommendations to Congress

Congress should assess alternative funding sources, such as amending the Public

Rangelands Improvement Act to provide an interim increase in grazing fees, provided the funds are used to make range improvements where they are collected.

Status: Action not yet initiated.

Congress should assess alternative funding sources, such as appropriating the

special funds already authorized by section 5 of the Public Rangelands Improvement Act, for range improvements.

Status: Action not yet initiated.

Congress should assess alternative funding sources such as amending the Federal Land Policy and Management Act to allow BLM to use a higher percentage or amount of grazing fees for making improvements.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of the Interior should provide those incentives which Interior determines to be needed to encourage permittees to make range improvements.

Status: Action in process.

Conservation and Land Management

Skewed Bidding Presents Costly Problems for the Forest Service Timber Sales Program

RCED-83-37, 02/09/83

Background

GAO was requested to examine the use of skewed bids on Forest Service timber sales. Skewed bidding occurs when a bidder in a multispecies sale loads most of the bid value on a single tree species and offers the minimum price for the other species. GAO reviewed timber sales in the Forest Service's three western regions where multispecies sales are common and skewed bidding occurs.

Findings

GAO found that the use of skewed bidding is causing costly problems for the Forest Service timber sales program. During fiscal years 1980 and 1981, about \$1.9 million in sales revenues was foregone on timber sales closed on 11 of the Service's western national forests, and the forest must devote administrative resources to deal

with the harvest management problems caused by skewed bidding. Timber harvesting on a species-by-species basis on skewed bid sales compounds the sale management problems. Species logging permits the purchaser to harvest the high-value trees on the sale last, thus delaying the receipt of sale revenues. Species logging also increases the risk that high-value trees will not be harvested and efforts to resell the timber may be unsuccessful in recouping the loss. Although skewed bidding affects the Forest Service's three western regions, most Forest Service efforts to control the practice have occurred at the individual region or forest levels rather than programwide. The three western regions have restricted bidding on minor species by setting various minimum volume bidding criteria. GAO found that restricting bidding to species with more than 10 percent of the sale volume had limited effect.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Forest Service to control the use of skewed bids on future timber sales. In the short term, the Forest Service could adopt a bid premium distribution procedure whereby the total bid premium on a timber sale would be spread among the species offered for sale in proportion to the volumes and values of the individual species. In the long-term, the Forest Service could require adoption of the fixed-price, lump-sum, tree measurement sales method once industry's concerns about this method are resolved to the Forest Service's satisfaction.

Status: Action in process. Estimated completion date: 03/86

Conservation and Land Management

Congress Needs Better Information on Forest Service's Below-Cost Timber Sales

RCED-84-96, 06/28/84

Background

GAO analyzed 3,244 advertised timber sales made in four western Forest Service regions in fiscal year 1981 and 1982 to determine: (1) whether individual sales were being made below cost and, if so the general magnitude of this practice in terms of the number, amount of loss, and geographic location; (2) the justification for it; and (3) whether better data could be given to Congress.

Findings

GAO found that, overall, Forest Service revenues exceeded its costs by \$712 million. However, although the timber was sold at or above appraised value, some of the sales did not generate enough revenues to cover the costs of making the sales. Below-cost sales had shortfalls of \$64 million in 1981 and \$92 million in 1982. Such sales occurred more frequently in Forest Service regions that had mostly low productivity timberlands, low sales values for predominant tree

species, and relatively low volumes of timber sold. Generally, these sales were in areas that had steep terrain, which increased harvesting costs and involved engineering and construction costs. GAO found that, because the Forest Service does not identify and accumulate its costs for individual timber sales, it is hampered from taking timely actions to reduce costs or improve sale economics. GAO found that 47 to 89 percent of total sale costs were incurred after sale award. Limited cost data on individual sales hampered the Forest Service's response to its annual reporting requirement. The Forest Service makes below-cost sales to encourage the use of damaged timber, improve the growth of individual stands, or satisfy the needs of local communities dependent on national forest timber sales. Although the primary reason for selling timber below cost is to remove relatively low valued timber stands and replace them with higher valued timber stands, GAO found that this rationale was not validated by the net present value of the next stand of timber.

Open Recommendations to Congress

Congress should require the Secretary of Agriculture to revise the annual reporting to Congress on Forest Service activities to include an estimate of the number and volume of timber sales sold below cost, the amount lost on these sales, and the justification on a summary basis for making such sales.

Status: Action in process.

Open Recommendations to Agencies

The Secretary of Agriculture should require the Chief of the Forest Service to develop a capacity to systematically determine the costs to sell timber for all national forest timber sales and on a statistically valid basis compare these costs with the estimated value to be received from the sale.

Status: Action in process. Estimated completion date: 03/86

Conservation and Land Management

Private Mineral Rights Complicate the Management of Eastern Wilderness Areas

RCED-84-101, 07/26/84

Background

Pursuant to a congressional request, GAO studied the problems associated with private mineral rights for wilderness areas in the eastern United States. While the government has some regulatory control over mineral resource development in wilderness areas, it cannot deny the development of private mineral rights. However, such development conflicts with

the legislation that created the National Wilderness Preservation System. That legislation restricted activities in wilderness areas to recreational, scenic, scientific, educational, historical, and conservation uses by the public.

Findings

GAO found that the Forest Service, which manages wilderness areas, has ex-

perienced problems resulting from the possible development of private mineral rights in four wilderness areas and one potential wilderness area in the eastern United States. In one wilderness area, the owner of mineral rights for the area submitted a plan to mine coal. The Forest Service determined that such mining could be destructive to the area, and attempted to acquire the mineral rights.

However, the owner and the Forest Service could not agree on a price for the rights, and the Forest Service believes that it must allow mining. Based on this and other such experiences, GAO and the Forest Service believe that such problems could increase because the Forest Service cannot legally prevent mineral development and Congress is unlikely to appropriate funds to acquire mineral rights for more wilderness areas. GAO also found that, in 1979, the Forest Service submitted recommendations to Congress regarding expansion of the wilderness system. However, the Forest Service did not consider the problems associated with private mineral rights for proposed wilderness areas. The Forest Service is currently reevaluating its wilderness recommendations.

Open Recommendations to Congress

Before Congress enacts legislation to create additional eastern wilderness areas, it may wish to: (1) consider the extent and development potential of private mineral rights in these areas; and (2) specify whether the Forest Service should acquire mineral rights or allow mining in wilderness areas.

Status: Action in process.

Open Recommendations to Agencies

Because the Forest Service did not analyze the potential problems or costs

associated with private mineral rights when it developed its 1979 wilderness recommendations, the Secretary of Agriculture should direct the Forest Service's southern and eastern regional offices to perform this type of analysis when evaluating the wilderness recommendations. This analysis should include for each area consideration of private mineral development potential, the government's ability to control mineral development if it occurs, the need to acquire private mineral rights, and a range of estimated acquisition costs.

Status: Action in process.

Conservation and Land Management Forest Service's Program To Identify Unneeded Land for Potential Sale Is Stalled

RCED-85-16, 11/06/84

Background

In response to a congressional request, GAO reviewed the Forest Service's program to identify and dispose of unneeded land, including: (1) how the Service plans to implement an executive order which asked federal agencies to identify and dispose of such land; (2) its land management process; and (3) the problems and costs involved in selling the land.

Findings

GAO found that the Service is not determining which tracts of 6 million acres of forest land identified for study are unneeded because it has limited authority to sell national forest system land. However, Congress will not consider granting additional sale authority until the Service identifies and studies the unneeded lands. In addition, Service officials believe that once the land is studied, substantially less

than 6 million acres would be offered for sale; however, the specific numbers will not be known until the land is further studied. Service officials estimate that about 10 percent of the land would be offered for sale after a study of resources and land use. The remaining acres would probably be retained because the land: (1) does not cost much to manage and has significant timber resources and animal forage; (2) contains important natural and cultural resources; and (3) is not readily marketable because of remoteness and the lack of natural resources. As of July 9, 1984, 118 of 124 anticipated forest land and management resources plans were still being developed but, by 1985, the 6 million acres could be reviewed. Users of national forest lands felt that the land identified for further study should remain as part of the Forest Service. Several expressed concern about sale terms and whether they would have the first opportunity to purchase unneeded lands.

Open Recommendations to Agencies

The Secretary of Agriculture should direct the Chief of the Forest Service to modify Service instructions on the integrated plans to require forest supervisors to review the need for the 6 million acres identified for further study. To the extent possible, these reviews should be done as part of the process of preparing the initial integrated forest and resource management plans.

Status: Action in process.

The Secretary of Agriculture should direct the Chief of the Forest Service to develop a list of land tracts that should be made available for sale and report the results to Congress for its use in considering whether to grant the Secretary additional sales authority for Forest Service land.

Status: Action in process.

Conservation and Land Management

Selectively Reducing Offshore Royalty Rates in the Gulf of Mexico Could Increase Oil Production and Federal Government Revenue

RCED-85-6, 05/10/85

Background

Pursuant to a congressional request, GAO examined steps the federal government could take to encourage environmentally sound enhanced oil recoveries (EOR) in the Outer Continental Shelf of the Gulf of Mexico.

Findings

GAO found that the federal government leases large areas in the Gulf of Mexico for the development of oil resources and receives financial royalties on the oil produced. It was estimated that conventional methods could only recover about half of the 16 billion barrels of oil in the area, but EOR methods could recover an additional 1 billion barrels although it may be less economically feasible. GAO found

that the government could lose revenue if it provided incentives for all companies across-the-board; however, royalty reductions used as incentives could increase government revenue, if timely evaluated on a project-by-project basis, because the oil would not have otherwise been produced. GAO noted that the environmental impacts associated with EOR appeared to be minimal.

Open Recommendations to Agencies

The Secretary of the Interior should instruct the Director of the Minerals Management Service to initiate action that would allow for royalty reduction on EOR projects in the Outer Continental Shelf of the Gulf of Mexico where it

would result in both increased production and increased federal government revenue. In doing this, the Director should establish guidelines that facilitate industry preparation of royalty reduction proposals and government's evaluation of these applications; permit timely evaluation of royalty reduction proposals (that is, early enough in the productive life of a well or reservoir to permit industry to implement EOR effectively, but late enough for the government to have sufficient data to evaluate the need for royalty reduction, usually during the last few years of conventional production); and allow royalty reductions on a project-by-project basis while maintaining the existing royalty for the remainder of the lease data.

Status: Action in process.

Other Natural Resources

The Nation's Unused Wood Offers Vast Potential Energy and Product Benefits

EMD-81-6, 03/03/81

Background

Immense quantities of wood residues are wasted in the United States in the form of decaying logging residues and dead trees, unused wood processing residues, and large, untapped acreages of small, defective, and other lower value trees. Wood residues could be an important energy source. A study was made of federal policies that are contributing to this lost potential.

Findings

GAO identified numerous factors standing in the way of greater use of wood residues for energy and products. These barriers include: (1) inadequate data on the volume, location, accessibility, and availability of forest residues; (2) lack of economical and effective equipment for harvesting and transportation of residues; (3) lack of investment capital needed for harvesting and using residues; and (4) limited awareness and acceptance of wood energy and product technology among industrial firms, utilities, and state and local bodies. Other obstacles

pertain to federal forest management policies and programs, utility practices and regulations, and environmental concerns related to greater use of residues. The Forest Service and the Department of Energy (DOE) have made little progress in developing a national wood residue plan. The agencies should make a number of residue assessments in operating areas which are defined in terms of key factors such as topographical features, transportation corridors, economic hauling distances, and landowner attitudes. The Forest Service should take the lead in accomplishing the needed assessments. DOE should be an active participant

in the studies. The assessments must deal more with resource management problems than end-use technology questions.

Open Recommendations to Agencies

The Secretaries of Agriculture and Energy should present to Congress within 2 years a national wood residues plan, including proposed residue use goals and recommendations for legislation or other actions to overcome barriers to such goals. It should be supported by data on regional variations developed through the residue assessments.

Target: Department of Agriculture

Status: Action in process. Estimated completion date: 10/86

Target: Department of Energy

Status: Action in process. Estimated completion date: 10/86

The Secretary of Agriculture should: (1) demonstrate Forest Service ability to conduct tree measurement sales and convert its western region to the tree measurement basis as rapidly as possible; and (2) preserve logging residues for potential future use by foregoing burning whenever possible under sound forest management practices.

Status: Action in process. Estimated completion date: 10/86

The Secretary of Defense and the Administrator of General Services should ensure, in implementing existing policies for conversion of their heating/power systems from oil and natural gas to alternative fuels, that wood is given equal consideration with coal in forested regions of the country. A canvass of wood conversion opportunities at all such facilities should be made to later be tested by the standard feasibility evaluation methods developed by the Forest Service and DOE. They should also issue procurement guidelines pointing out that, because of their value in meeting national energy goals, residue-based wood products be carefully considered as alternative materials for all construction and related applications.

Target: Department of Defense

Status: Action in process.

Target: General Services Administration

Status: Action in process.

The Secretaries of Agriculture and Energy should conduct a cooperative program of assessments in at least six locations around the country. The Secretaries should select the areas they believe hold the most promise for increased use of residues based on estimates of residue

availability and cost and availability of competing energy sources. Specific information to be developed through assessments should include: (1) the cost of making detailed residue inventories in each assessment area, with projections of costs to make such inventories regionally and nationally; (2) the volumes of wood residues that are potentially available in each area and the costs to collect and remove them using conventional equipment; (3) the specific needs for improved equipment to lower collection and removal costs; (4) the benefits and costs of, and alternative federal roles in stimulating, greater removal and use of wood residues by modifying or initiating a number of possible forest management policies and programs on federal, state, and private lands and encouraging private investment in new or modified facilities to use wood residues; and (5) the extent of, and alternatives for reducing, additional barriers to residue use caused by utility practices and regulations, air pollution regulations, and other factors.

Target: Department of Agriculture

Status: Action in process.

Target: Department of Energy

Status: Action in process.

Other Natural Resources Interior's Program To Review Withdrawn Federal Lands

RCED-83-26, 10/07/82

Background

Congress required the Department of the Interior to review certain types of federal lands that have been withdrawn by federal agencies from mineral exploration and development. GAO was requested to examine: (1) how Interior is implementing the program to review existing federal withdrawals, and (2) what actions Interior is taking to review withdrawals from lands not formally withdrawn but restricted from mineral exploration and development.

Findings

GAO found that the withdrawal reviews, conducted by Interior's Bureau of Land Management (BLM), could be more consistent with the objectives of Congress and, therefore, more responsive to congressional expectations. Although the Federal Land Policy and Management Act requires BLM to review requests for land withdrawal, BLM is giving priority to reviewing lands not specified by Congress for review and not closed to mineral entry. Further, GAO found that, although

Interior seems intent on opening more federal lands to multiple use, it is allowing management to make decisions to informally withdraw lands from mineral exploration and development. GAO also identified other problems with program implementation which need attention, such as confusion among program officials about the requirement for mineral reports. The program's successful completion may be jeopardized by funding and support problems.

Conservation and Land Management Program To Transfer Land Between the Bureau of Land Management and the Forest Service Has Stalled

RCED-85-21, 12/27/84

Background

GAO reviewed the Bureau of Land Management's (BLM) and the Forest Service's implementation of the Jurisdictional Land Transfer Program, which was established in 1980 to identify and evaluate opportunities to transfer the two agencies' land management responsibilities and develop proposed legislation to effect such transfers.

Findings

GAO found that BLM and the Forest Service did not meet the milestone dates which they had established for developing the first legislative proposal. In addition, joint field work on the program was suspended in January 1983 because: (1) the two agency heads could not agree on the size and scope of potential land transfers to be included in the legislative proposals; and (2) the agencies' field staffs, who were responsible for identifying transfer opportunities and developing potential transfer proposals, frequently did not follow the jointly issued program guidelines. Furthermore, statewide land

pattern goals were not established in four of the five states studied because of a lack of resources, a lack of communication with agency heads, and a lack of coordination between field staffs and their failure to establish a specific goal. Between 1982 and 1983, the agencies' efforts to comply with an administration initiative to identify and sell unneeded federal land also hindered program progress. Finally, GAO found that some field staffs did not consider transfers that would result in the closing of offices or personnel reductions and relocations.

Open Recommendations to Agencies

Once the Jurisdictional Land Transfer Program has been resumed, the Secretaries of Agriculture and the Interior should direct the Chief of the Forest Service and the Director of BLM to instruct their field staffs to adhere to the program guidelines.

Target: Department of Agriculture

Status: Action not yet initiated. Action is pending until the submittal of the legislative package to Congress in January 1986.

Target: Department of the Interior

Status: Action not yet initiated. Action is pending until the submittal of the legislative package to Congress in January 1986.

Once the program has been resumed, the Secretaries of Agriculture and the Interior should direct the Chief of the Forest Service and the Director of BLM to monitor the program's progress to make sure that the guidelines are followed.

Target: Department of Agriculture

Status: Action not yet initiated. Action is pending until the submittal of the legislative package to Congress in January 1986.

Target: Department of the Interior

Status: Action not yet initiated. Action is pending until the submittal of the legislative package to Congress in January 1986.

Conservation and Land Management The Corps of Engineers Should Revise Its Policy for Identifying Unneeded Land

RCED-85-41, 03/22/85

Background

In response to a congressional request, GAO reported on the Army Corps of Engineers' program to identify unused and underused land for sale, discussing the federal land disposal requirements which must be met before land can be sold and the effect that selling federal land can have on land users.

Findings

Federal agencies are required to continuously survey property under their control and report excess property found to the General Services Administration for possible disposal. The Corps has developed a 5-year schedule for conducting periodic land utilization surveys to identify for disposal land which would not

have been acquired under its acquisition policy for water resource projects. In 1982, the Corps identified 35,000 acres as not needed for project purposes, and an additional 2,148 acres were reported as excess in 1984. GAO found that, because the Corps retains full title to land expected to be periodically flooded, it has not considered some land for possible disposal even though the land is not needed

for project purposes. GAO believes that some of this land could be offered for sale if flowage easements were retained where needed. At five projects, GAO identified 16,682 acres of unneeded land which is subject to occasional flooding. Twenty-nine percent of this land is leased to farmers or ranchers, and the Corps receives a lease income of \$194,000 of which 75 percent is paid to local governments for water projects. This land could be sold for approximately \$7 million. However, before the land could be sold,

costly and time-consuming studies must be conducted to comply with federal land disposal requirements. Furthermore, the land sales would affect the farmers and ranchers and decrease revenues to local governments.

Open Recommendations to Agencies

The Secretary of the Army should direct the Chief of Engineers to revise the Corps'

policy for identifying unneeded land to not automatically exclude for possible disposal land which is occasionally flooded. Such land, if determined excess after further study, could be sold with easements to fully protect the government's interests. This revised policy should be used during all future annual inspections and 5-year land utilization surveys to determine the need to retain project lands.

Status: Action in process.

Conservation and Land Management
The Bureau of Reclamation Could Identify More Unneeded Land

RCED-85-25, 04/12/85

Background

GAO reported on the Bureau of Reclamation's process for identifying unused/underused and unneeded land.

Findings

GAO identified about 1.8 million acres of unneeded land for project purposes. This occurred primarily because the Bureau's annual property reviews did not include detailed reviews of specific parcels of land and it had not completed reviewing the need for all public domain land under its jurisdiction. Recognizing the need to improve its land management program, the Bureau has been implementing a land-use inventory and automated real property asset management system. This could help the Bureau develop a comprehensive and accurate inventory of land no longer needed for project purposes. GAO noted that, since proceeds from the sale of unneeded land are used to reduce

the financial obligations of irrigation districts, three such districts could receive reductions in their repayment obligations of about \$39 million if 73,000 acres of unneeded land are sold.

Open Recommendations to Agencies

The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to transfer any unneeded public domain land used or needed by other federal agencies to the Bureau of Land Management for disposition.

Status: Action in process. Estimated completion date: 01/91

The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to consider whether interests of the federal government that would be advanced by amending the 1943

Columbia Basin Project Act to recover future surplus settlement land sale revenues for the government rather than crediting them to the repayment obligations of the project's three irrigation districts outweigh the interests of the districts. Should it be determined that the government's interests are paramount, legislation should be submitted to Congress specifying that future surplus revenues from settlement land sales shall be credited to the federal government.

Status: Action in process. Estimated completion date: 04/86

The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to refrain from selling settlement land at the Columbia Basin Project until consideration of the proper disposition of future surplus settlement land sale revenues has been completed.

Status: Action in process. Estimated completion date: 04/86

Open Recommendations to Congress

Congress should amend section 204(1)(3) of the Federal Land Policy and Management Act (FLPMA) deleting the words \$10 million and substituting a revised appropriation ceiling based on refined Interior budget estimates.

Status: Action not yet initiated.

Congress should enact a line item appropriation for withdrawal review activities to be appropriated to Interior for the use of all federal agencies participating in the withdrawal review program.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of the Interior should direct BLM to allocate program resources proportionately for the remainder of the withdrawal review program to states with the most acreage withdrawn and the best potential for mineral development.

Status: Action not yet initiated. Interior has some reservations about acting on this recommendation.

The Secretary of the Interior should direct BLM to use special project codes to track activities authorized under section 204(1) of FLPMA and submit this estimate to Congress as a new appropriation ceiling.

Status: Action in process.

The Secretary of the Interior should direct BLM to develop new budget estimates for the completion of the withdrawal review program based only on activities authorized under section 204(1) of FLPMA and submit this estimate to Congress as a new appropriation ceiling.

Status: Action not yet initiated. Interior is reluctant to act on this recommendation because of its budgetary implications.

The Secretary of the Interior should direct BLM to seek program funding for the participating federal landholding agencies through Interior's budgetary process and reimburse these agencies for their work related to the program.

Status: Action not yet initiated. Interior is reluctant to act on this recommendation because of its budgetary implications.

The Secretary of the Interior should direct BLM to work with holding agency officials

to determine which lands are closed to mineral exploration and development and allocate program resources to ensure a review of these lands first.

Status: Action in process.

The Secretary of the Interior should establish minimum standards for mineral reports required under the review program and for new withdrawal applications.

Status: Action in process.

The Secretary of the Interior should consolidate the responsibilities for performing and evaluating these mineral reports under one assistant secretary.

Status: Action not yet initiated. Interior did not consider this to be a high priority item at this time.

The Secretary of the Interior should establish criteria on which management decisions which preclude mineral leasing or mining on federal lands must be based. The Secretary should also require BLM to maintain records of these decisions adequate enough to permit periodic congressional oversight.

Status: Action in process.

Other Natural Resources

Wilderness Mineral Assessment Reports Could Be Improved To Better Meet Land Use Decisionmaking Needs

RCED, 08/14/84

Background

As part of the work which GAO has conducted over the past 2 years in examining a number of federal mineral land assessment programs, GAO explored aspects of the wilderness mineral assessment program conducted jointly by the U.S. Geological Survey (USGS) and the Bureau of Mines for the Forest Service.

Findings

GAO found that these assessment reports are not as useful to Forest Service planners as they could be. While the primary

purpose of the wilderness mineral surveys is to aid land use decisionmakers, the reports are often: (1) difficult to understand and to use; and (2) little more than raw data requiring lengthy interpretation. In addition, information necessary to place mineral data in perspective is missing. The surveys are fairly detailed and, depending on the size and complexity of the area studied, a single assessment may consume up to 3 years of research team time. Although the Forest Service is a principal user of the mineral assessments, it has had little input as to

the format or the content of the assessment reports. These reports are highly technical and are intended to add to what is known about the nation's geology. Although the reports are supposed to be aimed at land use decisionmakers, USGS distributes the reports to state and local governments, oil and gas industries, and academia. Forest Service officials suggest that the reports could be far more useful for land use decisions if the data were directed toward land use managers. Forest Service managers need to know where the minerals are located,

whether they are in demand, whether they might be economically mined, and how they would be transported. In addition, regularly scheduled briefings on these topics could be valuable. The Bureau routinely collects this information. GAO found that, despite Bureau intentions, few changes have been made in the assessment reports.

Open Recommendations to Agencies

USGS and the Bureau of Mines, in consultation with the Forest Service, should revise the wilderness mineral assessment reports so that they are more useful to Forest Service planners and land managers. USGS should provide further interpretation of the mineral resource data. The Bureau of Mines should furnish

resource, technological, and economic information that places the survey results in context for planning purposes.

Target: Department of the Interior: Geological Survey

Status: Action in process.

Target: Department of the Interior: Bureau of Mines

Status: Action in process.

Other Natural Resources

Examination of Funds Received by the Federal Government Under Leases of Mineral Rights on the Bullhook Gas Unit

RCED-85-52, 05/03/85

Background

In response to a congressional request, GAO determined if the Chippewa Cree Tribe of the Rocky Boy's Reservation in Montana had received funds the Department of the Interior collected from leases of mineral rights on the Bullhook Gas Unit, Montana, which includes federal, state, and private land.

Findings

GAO found that Interior has transferred to the tribe all the royalties it received from Bureau of Land Management (BLM) leases as required by P.L. 93-285. Royalties collected from four leases were transferred in 1980, and royalties from a fifth lease were transferred in 1983. However,

GAO found that, in computing the royalty payments, Interior withheld a net amount of \$19,000 from the tribe. Because BLM overlooked certain leases affected by the legislation, the royalties collected from the leases were treated as federal rather than Indian funds. When the funds were appropriately identified and processed as Indian royalties, the Minerals Management Service incorrectly computed the amount due to the tribe, and the Bureau of Indian Affairs did not properly recognize some royalties in the tribe's accounting records. However, the tribe has not received any interest on royalties BLM collected from the leases. GAO believes that the tribe is entitled to the interest that might have accrued had the royalties been credited to the tribe's account since 1974 as directed law. The tribe has not

received the revenues collected from BLM leases between 1968 and 1974; however, any claim which the tribe had to these funds is barred by statutory limitations, and the only remedy available to the tribe is private relief legislation.

Open Recommendations to Agencies

The Secretary of the Interior should pay the Chippewa Cree Tribe interest on royalties collected by BLM between 1974 and 1980 from four BLM leases and between 1974 and 1983 from a fifth BLM lease, which GAO estimates to be \$88,431 through January 31, 1985.

Status: Action in process.

Other Natural Resources

The Foreign Fishing Observer Program: Management Improvements Needed

RCED-85-110, 08/12/85

Background

Pursuant to a congressional request, GAO reviewed the National Oceanic and Atmospheric Administration's (NOAA) management of the Foreign Fishing Observer Program, including: (1) the process the National Marine Fisheries Service (NMFS) follows to develop program costs for budgeting and billing purposes; (2) the issue of health and safety conditions on foreign fishing vessels; (3) the use of observer-generated information; and (4) the use of contract observers in the northwest and Alaska program.

Findings

GAO noted that NMFS has followed an advance estimated billing process, based on the anticipated level of foreign fishing, planned level of observer coverage, and established cost factors, which has restricted NMFS from pursuing its planned level of observer coverage until sufficient funds have been collected and become available for obligation. GAO found that: (1) with a sufficient amount of working capital, NMFS could pursue its planned program level and implement a billing system based on actual costs; (2) sanctions should be established for foreign fishing vessels considered inadequate for the placement of an observer; (3) there was a need for health and safety standards to judge the adequacy of foreign fishing vessels; and (4) NMFS considered information obtained by observers on foreigners' compliance with

fishing laws and regulations valuable to ensure that all information needs were being met. GAO also found that: (1) adjustments to the training program curriculum could be made by adopting a standard training curriculum and instructional procedures for those elements of biological data that NMFS believes should be presented to all observers; and (2) NMFS used contract observers in the northwest and Alaska regional program rather than federal employees because agency personnel ceilings would not permit hiring enough federal employees.

Open Recommendations to Congress

Congress should amend the Magnuson Act to authorize sanctions against inadequate foreign fishing vessels.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of Commerce should request legislative authority to: (1) provide sufficient working capital to capitalize the Foreign Fishing Observer Fund; (2) to permit NMFS to pursue a full coverage program from the beginning of each fiscal

year; and (3) use a billing system based on actual costs.

Status: Action not yet initiated. The Department of Commerce has not yet provided comments to Congress.

If the Observer Fund is provided working capital, the Administrator of NOAA should: (1) implement a billing system based on actual costs; and (2) develop an information package on the billing process and procedures that would be responsive to most of the questions raised by the foreign fishing interests about their observer fee bills and program costs.

Status: Action not yet initiated. NOAA has not yet provided comments to Congress.

The Administrator of NOAA should establish a timeframe for NMFS to develop appropriate criteria to judge the adequacy of safety and health conditions on foreign fishing vessels that want to fish in the U.S. fishery conservation zone and provide the basis for imposing sanctions against such vessels for inadequate safety or health conditions.

Status: Action not yet initiated. NOAA has not yet provided comments to Congress.

Pollution Control and Abatement

Wyoming Wastewater Treatment Facility Proves Unsuccessful

CED-81-94, 06/15/81

Background

Pursuant to a congressional request, GAO investigated the circumstances surrounding the failure of the wastewater treatment facility in Thayne, Wyoming.

Findings

The \$1.15 million facility is now being used by 106 sewage hookups in Thayne while the Star Valley Cheese Corporation (SVCC), for which the facility was principally designed, discharges its wastes directly into the local waterway. Throughout its history, the facility has been beset by problems. The spray irrigation system selected for the project was high-risk because it tended to ice up in the harsh winters and needed a high level

of operation and maintenance. SVCC continually overloaded the facility's capacity to treat wastes. The project design was deficient in that both the storage pond and the land on which the treated wastewater was sprayed were too small. The construction company did a poor job: liners of the storage pond were improperly installed and the land receiving the sprayed water was improperly prepared. Operation and maintenance activities were neglected, and most of the new construction items provided for in a grant amendment were never installed. The system did not function properly to alleviate the severe odor problems caused by the SVCC high discharge levels. Because the Environmental Protection Agency (EPA) did not adequately monitor the project: more than \$11,000 in industrial cost recovery payments made by SVCC were not col-

lected from Thayne; Thayne used 34 percent of the modification and repair funds for architectural and engineering services, an amount far in excess of the grant agreement; and EPA may have overpaid the construction, repair, and modification costs by about \$95,000.

Open Recommendations to Agencies

The Administrator of EPA should require the EPA Inspector General to perform a comprehensive and detailed audit of all costs associated with the Thayne project. If ineligible or unsupported costs are found, EPA should recover these amounts.

Status: Action in process. Estimated completion date: 11/85

Pollution Control and Abatement

User Charge Revenues for Wastewater Treatment Plants—Insufficient To Cover Operation and Maintenance

CED-82-1, 12/02/81

Background

Billions of dollars in federal grants have been made to municipalities throughout the nation to construct publicly owned wastewater treatment plants. Once the plants are constructed, municipalities are responsible for raising sufficient monies from system users to properly operate and maintain these plants. GAO made a review to determine whether user charge revenues collected by municipalities are sufficient to properly operate and maintain the treatment plants; whether such costs are fairly and equitably distributed among system users; and whether sufficient revenues are being generated to pay for replacing major capital items in the plants.

Findings

GAO found that half of the 36 municipal treatment plants randomly selected for review were not charging users enough to cover operation and maintenance costs and were relying on other municipal revenue sources for funds. Also, 40 percent were not charging all users their fair and equitable share of costs. Thus, the future successful operation of the costly treatment facilities may be in jeopardy, and the nation's clean water goals may not be achieved. Replacing the thousands of federally funded plants will require billions of dollars. Current federal legislation is silent on the sources of funds for plant replacement. Only three

of the municipalities reviewed are now setting aside replacement funds. Twenty-three indicated that they would return to the federal government for replacement funding. The need to eventually replace major equipment items can significantly strain local financial resources. Inequitable user charge systems allow a few users to benefit while many users pay excessive charges. GAO believes that such subsidies violate a basic intent of the user charge concept, equity. Fifteen of the 36 municipalities had not met the grant requirement of making a periodic review and of updating their user rates and classes to meet increased costs or changing operating conditions. Neither

the Environmental Protection Agency nor the states have follow-up programs to verify a municipality's compliance with user charge grant conditions, and no enforcement program exists under which penalties could be assessed for noncompliance.

Open Recommendations to Congress

Congress should consider whether there will be further federal participation in treatment plant replacement or whether plant replacement will become the responsibility of state and/or local

governments. If Congress should decide that state and/or local governments are to be held responsible, these governments must be made aware of this requirement so that they can begin planning for such future expenditures.

Status: Action not yet initiated.

Pollution Control and Abatement

Better Planning Can Reduce Size of Wastewater Treatment Facilities, Saving Millions in Construction Costs

CEA-82-82, 07/08/82

Background

GAO conducted a review to evaluate the effectiveness of the facility planning process for constructing wastewater treatment plants and to determine whether changed conditions, such as increases or decreases in population projections or industrial flow for proposed service areas, were recognized and incorporated into the facility plans before the plant was designed or before construction started.

Findings

GAO estimated that about \$30 million in grant funds could be saved if the Environmental Protection Agency's (EPA) 1978 facility planning regulations were applied to the 13 facility plans reviewed by GAO. These facilities were developed under pre-1978 regulations, but are not yet under construction. Current regulations limit the engineering judgment in calculating domestic and industrial flow allowances. However, under the 1978

regulations, EPA stipulated that state population projections would be the sole basis for estimating future population levels to be served by a proposed treatment system. If the 1978 regulations were applied, 11 of those 13 proposed plants would be smaller and 2 plants would be larger. The Municipal Wastewater Treatment Construction Grant Amendments of 1981 provide that no federal grant will be made to construct treatment works which provide reserve capacity in excess of the needs which existed on the date of grant approval. In addition, the amendments reduce federal participation from 75 to 55 percent of the construction costs. Many facets of facility planning are not covered by guidance or regulation. As a result, engineering judgment, which varies considerably from project to project, becomes the deciding factor in determining plant size and project cost. Additional criteria are needed to assist in the determination of proper plant size and to provide plan reviewers a basis on which to evaluate the adequacy of a plan.

Open Recommendations to Agencies

The Administrator of EPA, with the cooperation of the engineering community, should develop standards for each critical factor used in establishing existing as well as future domestic, industrial, and infiltration and inflow amounts to be treated by a wastewater plant. Deviations should require additional justification by the consulting engineer to provide EPA with a basis for evaluating the proposed change. As a minimum, these standards should establish: (1) a discharge ratio to be applied to actual water use records when determining existing and future domestic flow to the plant for treatment; (2) a method to be used in measuring industrial flow; and (3) inflow estimates based on a worst storm event experienced in a specified time period.

Status: Action in process. Estimated completion date: 03/86

Pollution Control and Abatement

Better Coordination Is Needed Between Pesticide Misuse Enforcement Programs and Programs for Certifying and Training Individuals To Apply Pesticides

RCED-83-169, 07/01/83

Background

GAO reviewed programs in Illinois and Minnesota under the Pesticide Applicator Certification and Training Program to determine whether they are addressing major pesticide misuse problems.

Findings

GAO found that the Environmental Protection Agency (EPA), Illinois, and Minnesota have not linked the certification and training and enforcement programs to deter and reduce pesticide misuse. The review of programs to certify individuals as competent to use pesticides indicates that information on pesticide misuse is not routinely and systematically developed or used, even though the data are collected and maintained by the states as part of their pesticide enforcement

efforts. Further, EPA evaluations of state programs have not addressed qualitative program elements but have concentrated on quantitative program outputs. GAO noted that EPA has neither developed criteria for evaluating test criteria nor, within 7 years, conducted in-depth test reviews. Finally, GAO found that the Illinois and Minnesota pesticide commercial examinations did not meet all federal certification requirements.

Open Recommendations to Agencies

The EPA Administrator should direct that action be taken to include a requirement in state cooperative agreements that states develop basic program management information on major pesticide misuse problems for use by certification and training programs.

Status: Action in process. Estimated completion date: 06/86

The EPA Administrator should direct that action be taken to develop guidance for EPA regions to evaluate state efforts in using pesticide misuse data to ensure that its certification and training programs are addressing the major pesticide misuse problems that the state is experiencing.

Status: Action in process. Estimated completion date: 06/86

The EPA Administrator should direct that action be taken to develop criteria and guidance for EPA regions to evaluate state commercial applicator examinations.

Status: Action in process. Estimated completion date: 06/86

Pollution Control and Abatement

DOD Can Make Further Progress in Controlling Pollution From Its Sewage Treatment Plants

NSIAD-84-5, 02/03/84

Background

GAO evaluated Department of Defense (DOD) efforts to control pollution from its sewage treatment plant operations and attempted to determine whether DOD plants are meeting Environmental Protection Agency (EPA) discharge permit requirements.

Findings

GAO found that, while DOD has made great efforts to improve its sewage treatment plants, these efforts have not been fully successful because: (1) the services

have not always selected the most cost-effective treatment methods available; and (2) plant upgrades and modifications often have serious design and construction flaws that reduce plant efficiency. Major upgrades have occurred in the last 10 years at 11 of the 13 plants visited by GAO, but many of the upgraded plants are not meeting the sewage treatment levels expected because of design deficiencies. In addition, 11 of the 13 plants had been unable to consistently meet National Pollution Discharge Elimination System permit requirements. GAO identified problems leading to noncompliance,

including: (1) lack of specific guidance on how to ensure adequate operation, maintenance, and compliance; (2) lack of follow-up on problems found by DOD, EPA, and state environmental inspectors; (3) equipment deficiencies; (4) infiltration and inflow problems; and (5) deficient operation and maintenance practices.

Open Recommendations to Agencies

To guarantee that the most cost-effective sewage treatment methods are used, the Secretary of Defense should ensure that

the services comply with DOD policy by carefully evaluating all feasible treatment alternatives, including regional or municipal tie-ins.

Status: Action in process. Estimated completion date: 10/86

To guarantee that the most cost-effective sewage treatment methods are used, the Secretary of Defense should require the services to provide written justifications supporting the selection of sewage treatment alternatives that differ from those recommended by cost-effectiveness studies.

Status: Action in process. Estimated completion date: 06/86

To guarantee that the most cost-effective sewage treatment methods are used,

the Secretary of Defense should study and pilot test making one party responsible under contract for designing and constructing a treatment plant and for demonstrating, with plant operators, that the plant will meet discharge permit requirements before turning over the plant to the services for operation.

Status: Action in process. Estimated completion date: 10/87

The Secretary of Defense should direct and assist the services as necessary to provide more specific guidance to their bases on how to ensure adequate plant operation and maintenance in order to be in compliance with permit requirements.

Status: Action in process. Estimated completion date: 06/86

The Secretary of Defense should require the service secretaries to establish some formal means of ensuring that deficiencies identified at sewage treatment plants are followed up and corrected in a timely manner.

Status: Action in process. Estimated completion date: 06/86

The Secretary of Defense should work with the Office of Personnel Management to revise the staffing guidelines for sewage treatment plants because of the ever increasing complexity of the treatment plants and processes.

Status: Action in process. Estimated completion date: 07/86

Pollution Control and Abatement

Cost-Benefit Analysis Can Be Useful in Assessing Environmental Regulations, Despite Limitations

RCED-84-62, 04/06/84

Background

GAO reported on the Environmental Protection Agency's (EPA) major efforts to prepare cost-benefit analyses to support regulatory decisions, as required under Executive Order 12291. In addition, it discussed the Office of Management and Budget's (OMB) review of those analyses and identified many problems that affect the potential usefulness of cost-benefit analyses for assessing environmental regulations.

Findings

GAO found large gaps in the underlying scientific information which EPA uses to estimate the environmental benefits of its regulatory alternatives. EPA has also had difficulty determining how much people are willing to pay for health and environmental improvements. However, a cost-benefit analysis can still provide useful information to regulatory decisionmakers if EPA presents a range of dollar values which reflect the uncertainty of the estimates. Some environmental laws place

more emphasis on the level of cleanup to be achieved than on the costs involved, and they may prohibit or limit the use of cost-benefit analyses in setting standards and regulations. In addition, cost-benefit analyses are not transmitted to Congress. Executive Order 12291 generally requires EPA and other federal agencies to provide a detailed cost-benefit analysis for any major regulation. However, the Order allows for a great deal of flexibility in establishing the estimated costs of proposed regulations, and EPA has not always considered all important compliance costs to determine whether a proposed rule is a major regulation. In addition, GAO found that EPA failed to consider all possibilities in determining which alternative would yield a higher net benefit. GAO also found that EPA cost-benefit analyses generally highlighted only single-dollar estimates in summary form while ranges of estimates for other categories were available but not used. Despite these problems, OMB has generally accepted the EPA analyses.

Open Recommendations to Congress

Congress may wish to reexamine the need for restrictions which prohibit or limit cost-benefit analyses results from being used in environmental rulemaking in laws such as the Clean Air and Clean Water Acts, in light of subsequent improvements in environmental protection, and consider easing or eliminating such restrictions on a case-by-case basis.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Administrator, EPA, should transmit to the cognizant oversight committees in Congress, in executive summary form, those cost-benefit analyses that cannot be used in environmental rulemaking because of legal restrictions.

Status: Action not yet initiated. EPA has not completed any rulemakings where it could not use the results of cost-benefit analyses because of legal restrictions.

Pollution Control and Abatement EPA's Efforts To Identify and Control Harmful Chemicals in Use

RCED-84-100, 06/13/84

Background

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) current progress in reviewing and controlling existing chemicals as mandated under the Toxic Substances Control Act.

Findings

Since 1982, EPA has begun to make progress in implementing the existing chemicals program by establishing a process for identifying, assessing, and controlling existing chemical hazards. However, the chemicals program has had low priority in relation to other activities and, since fiscal year 1981, there has been a downward trend in funding for the program. EPA has begun to make progress in implementing the existing chemicals program by establishing a process for identifying, assessing, and controlling existing chemical hazards; developing a plan for implementing the program; and establishing an existing chemicals task force to develop, monitor, and manage the program. Since the act's passage, EPA has:

(1) regulated 4 chemicals; (2) identified 60 chemicals that may present an unreasonable risk and need to be evaluated; and (3) determined that 41 additional chemicals require testing. Initially, EPA did not meet the act's mandate to initiate chemical test rulemaking proceedings within 1 year because of a lack of resources, and it had not proposed test rules. Finally, EPA has designated and assessed only two chemicals for 180-day priority review because those chemicals significantly increase the risk of harm from cancer, birth defects, or gene mutations.

Open Recommendations to Congress

Congress may want to consider alternatives for increasing the number of chemicals considered for priority review, if Congress believes that EPA should use this provision more frequently. Congress could: (1) require EPA to designate chemicals which are known to cause cancer, gene mutations, or birth defects; (2) establish an advisory group of representa-

tives from federal research and regulatory agencies to recommend chemicals for EPA to consider for priority review; (3) provide EPA the authority to gather additional information to properly assess a chemical's risk during review; or (4) require EPA to include in its annual reports the chemicals it considered for priority review, its decisions, and the related reasons for the decisions.

Status: Action in process.

Open Recommendations to Agencies

The Administrator, EPA, should finalize proposed test rulemaking within a reasonable time, such as a goal of 12 to 18 months after proposal. If EPA is not able to finalize test rules in a reasonable time, it should inform Congress of the delay, the reasons, and suggest solutions such as negotiated testing agreements, additional resources, or legislative changes.

Status: Action in process. Estimated completion date: 06/86

Pollution Control and Abatement Assessment of New Chemical Regulation Under the Toxic Substances Control Act

RCED-84-84, 06/15/84

Background

Pursuant to a congressional request, GAO reviewed: (1) the Environmental Protection Agency's (EPA) program for protecting health and the environment from the risks of new chemicals; (2) enforcement of program requirements by EPA; and (3) the differences between the EPA program and the new chemicals notifica-

tion program adopted by the European Economic Community (EEC) and the potential impact of these differences on international trade.

Findings

EPA performs premanufacture reviews to assess the potential risks of new chemicals. GAO found that the EPA

reviews are limited in scope and that their assessment of risks are frequently made with considerable uncertainty as to the toxicity of the chemicals being reviewed. EPA is required to provide enforcement inspections to ensure that: (1) new chemical notifications are being submitted; (2) EPA-imposed control actions are implemented by chemical manufacturers; and (3) data required to

be submitted are reliable. GAO found that not all of the planned inspections were performed because inspection resources were being diverted to other enforcement activities. In addition, GAO found that the United States and EEC have pursued different approaches to chemicals regulation. While the American system is designed to protect against chemical risks without creating economic barriers to technological innovation, the European program is designed to avoid trade barriers that might arise if the nations of EEC did not standardize their reporting requirements. The EEC program involves a notification system, with risk assessment and control decisions left primarily to member nations. Under the EEC program: (1) a standardized set of tests is required for new chemicals; (2) any chemical not on the established chemical inventory must be pretested; and (3) additional testing is required when the quantity of a new chemical being marketed reaches specified levels. GAO believes that it is too early to tell whether international trade might be affected by the differences in the two systems.

Open Recommendations to Congress

Congress may wish to provide EPA with additional authority to control changes in the manufacture and use of new chemicals that have undergone premanufacture review while data necessary for determining the chemical's health and environmental effects are being developed.

Status: Action in process.

Open Recommendations to Agencies

The Administrator, EPA, should establish monitoring procedures and reporting requirements for new chemicals that have undergone an EPA premanufacture notification review and have been added to the inventory of existing chemicals. Specifically, EPA should require: (1) premanufacture notification submitters to notify EPA of any significant changes in the manufacture and use of the substance described in their submission; and (2) subsequent manufacturers to notify EPA when they begin to manufacture the new substance

and provide information on production volume and uses of the substance.

Status: Action in process. Estimated completion date: 01/86

To improve the enforceability of the new chemicals program, the Administrator, EPA, should revise the premanufacture notification regulations on what constitutes an exemption from the notification requirement by developing more specific criteria for distinguishing between research and development, test marketing, and commercial uses.

Status: Action in process. Estimated completion date: 01/86

EPA should provide adequate inspection resources to achieve its inspection goals in the new chemicals program. If these resources are not available because of higher priority requirements, EPA should establish the additional needs of the program and provide such information to the appropriate congressional committees for their consideration.

Status: Action in process. Estimated completion date: 01/86

Pollution Control and Abatement

EPA Needs To Improve Its Oversight of Air Pollution Control Grant Expenditures

RCED-84-163, 09/28/84

Background

Pursuant to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) air pollution control grant program authorized by the Clean Air Act.

Findings

Section 105 of the act authorizes EPA to award grants to state and local agencies to develop plans and implement programs to prevent and control air pollution or to address national air quality standards. GAO examined the EPA procedures for ensuring grantee compliance with section 105 provisions and EPA regulations and reviewed whether grantees are, in fact,

meeting these requirements. GAO found that the three EPA regions reviewed were consulting with state officials and were satisfied that grantees were using the federal funds to supplement, not supplant, nonfederal funds for air pollution control. However, two of the regions had not ensured that all grantees complied with the level-of-effort requirement of the act or with EPA reporting requirements. GAO found numerous instances where unliquidated obligations were reported in final financial reports, in violation of reporting instructions. Of six grantees reviewed within the three EPA regions, four had submitted inaccurate or incomplete financial reports. Inspector General

officials stated that they do not have the resources to audit the grantees' financial reports, and grant program officials stated that they lack the resources as well as the expertise to perform such audits.

Open Recommendations to Agencies

The Administrator, EPA, should ensure that the regional administrators in Regions IV and VI take appropriate action with respect to the grantees in Knox County and San Antonio, respectively, concerning their reductions in levels of effort.

Status: Action in process.

To ensure that section 105 grant funds are properly spent and/or reported, the Administrator, EPA, should direct the regional administrators in Regions III and IV to work with the Office of General Counsel to resolve the underreporting of expenditures in Maryland and Louisiana.

Status: Action in process.

The Inspector General, EPA, should reconsider the priority assigned to the section 105 grant program, based on the GAO review findings and, if appropriate, conduct audits of specific grants to determine whether grantees' financial reports to EPA contain accurate and reliable information.

Status: Action in process. Estimated completion date: 01/86

To ensure that section 105 grant funds are properly spent and/or reported, the Administrator, EPA, should direct the regional administrators in Regions III and VI to work with the District of Columbia and Texas, respectively, to resolve inappropriate spending or erroneous reporting of grant funds in fiscal year 1982.

Status: Action in process.

Pollution Control and Abatement

Status of Civilian Federal Agencies' Efforts To Address Hazardous Waste Problems on Their Lands

RCED-84-188, 09/28/84

Background

Pursuant to a congressional request, GAO determined: (1) what actions have been taken by federal civilian agencies to comply with provisions of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) which require them to identify federal sites which potentially contain hazardous wastes; and (2) the status of ongoing and planned agency actions to assess and correct hazardous waste problems at federal sites.

Findings

GAO identified 16 federal agencies involved in hazardous waste activities. The agencies had identified 340 locations with potential hazardous waste problems. Some locations were identified in response to a CERCLA report-

ing requirement, although identification of sites was hampered because: (1) some agencies were unaware of the reporting requirement; (2) guidance issued by the Environmental Protection Agency (EPA) left agencies with broad discretion in meeting the requirement; and (3) there was no requirement for EPA to evaluate the adequacy of agency reporting actions. GAO found that about 30 percent of the 340 identified locations had not been assessed, but that for the remainder, some action had been taken. In 73 cases, EPA or the responsible agency determined that no further action was warranted. GAO also found that seven federal agencies have initiatives underway to identify hazardous waste sites. In addition, GAO found that an EPA inventory of potential hazardous waste sites is incomplete and contains errors, which could adversely affect a new EPA strategy for ensuring that agencies comply with CERCLA requirements.

Open Recommendations to Agencies

The Administrator, EPA, should instruct EPA regional offices on the importance and need for complete and accurate information on potential hazardous waste site locations on federal lands. The instructions should also require regional offices to update and correct the ERRIS data base to show which locations are on federal lands and clearly identify within the data base those locations on federal lands that have been shown to lack the potential for uncontrolled hazardous waste sites.

Status: Action in process.

The Administrator, EPA, should require EPA regional offices to update and correct the ERRIS data base to show the current status of site assessment, evaluation, and corrective actions that have been taken at federal agency locations.

Status: Action in process.

Pollution Control and Abatement

EPA Could Benefit From Comprehensive Management Information on Superfund Enforcement Actions

RCED-85-3, 12/28/84

Background

Pursuant to a congressional request, GAO reviewed the extent of management information available to the Environmental Protection Agency (EPA) in carrying out its enforcement responsibilities under the Superfund program.

Findings

GAO found that, while EPA headquarters and regional offices have individual management information systems for tracking Superfund enforcement actions, there is no such system that covers the entire agency. Most such systems

were developed in recent years as the growing Superfund caseload prompted program managers to develop systematic ways of tracking enforcement actions. Many EPA officials believe that, if the Superfund enforcement caseload continues to increase as expected, an agencywide information system could enable program managers to better address comprehensive Superfund issues such as the length of the enforcement process, whether enforcement milestones are met, and resource allocation. However, EPA has not assessed the feasibility of implementing a comprehensive Superfund enforcement tracking system.

Open Recommendations to Agencies

In view of the growing enforcement workload, the Administrator of EPA should assess the feasibility of developing and maintaining a comprehensive Superfund enforcement management information system and, if cost-effective, implement such a system. In making this assessment, the Administrator should consider the needs of EPA program managers and Congress.

Status: Action in process.

Pollution Control and Abatement

The Environmental Protection Agency Should Better Manage Its Use of Contractors

RCED-85-12, 01/04/85

Background

Pursuant to a congressional request, GAO discussed the Environmental Protection Agency's (EPA) use of contractors to support its programs.

Findings

GAO found that EPA has not: (1) monitored contractors' activities to ensure that performance remains cost-effective; or (2) performed reviews to ensure that contractor employees were not establishing policy or performing other types of work traditionally reserved for federal employees. About 88 percent of EPA contracts are cost-reimbursable, which provides EPA maximum flexibility in accomplishing program objectives, but offers limited incentive for the contractor to control costs. GAO believes that EPA is missing opportunities to control costs through the increased use of fixed-price contracts. GAO also noted that EPA, contrary to its regulations, has directed contractors to perform work outside the scope of their contracts and to award

sole-source subcontracts to firms selected by EPA.

Open Recommendations to Agencies

The Administrator of EPA should, to increase the agency's efficiency in using contractors and federal employees to comply with Office of Management and Budget (OMB) Circular A-76, establish procedures for monitoring contracts for cost-effectiveness. If contracts are determined not to be cost-effective, EPA should follow OMB Circular A-76 guidelines and look for more efficient contracting opportunities and/or prepare a cost analysis to determine if it would be more appropriate to do the work in-house with government employees.

Status: Action in process.

The Administrator of EPA should take the necessary actions to increase the priority given to procurement operations.

Status: Action in process.

The Administrator of EPA should, to improve controls over the agency's contract management, require the Procurement and Contract Management Division to carry out its contract management responsibilities by having the contract officers become more involved with monitoring work assignments as required by EPA and federal regulations. The Administrator should require contract officers not to approve individual work assignments unless the assignments are accompanied by: (1) a detailed statement-of-work showing specifics to be included in the final work product; and (2) a detailed cost estimate. If necessary, a compliance program should be established to ensure that contract officers meet this requirement. If resources are not available to carry out these responsibilities, the Administrator should determine the additional staff needs and provide this information to the appropriate congressional committees for their consideration.

Status: Action in process.

Pollution Control and Abatement

Vehicle Emissions Inspection and Maintenance Program Is Behind Schedule

RCED-85-22, 01/16/85

Background

Pursuant to a congressional request, GAO discussed the Environmental Protection Agency's (EPA) implementation of vehicle inspection and maintenance (I/M) programs to ensure attainment of the national ambient air quality standards by 1987.

Findings

GAO found that the implementation of I/M programs continues to run behind the EPA schedule largely because states have strongly opposed the programs and

because EPA, desiring to work with the states, has given states more time to submit approvable programs. Further, many programs that have been implemented have experienced operational problems in the areas of quality control or enforcement. The EPA scheduled program audits, if conducted, could help identify the overall operational problems and develop a strategy for dealing with them. However, EPA has not budgeted adequate resources to complete the scheduled audits of the remaining programs. GAO believes that these audits must be completed according to schedule to meet the 1987 deadline.

Open Recommendations to Agencies

The Administrator, EPA, should reassess the priority given to completing scheduled audits of state I/M programs. The audits should be completed by the close of fiscal year 1986 so that states can benefit from any EPA recommendations before the 1987 deadline. If EPA is unable to complete the audits on schedule, it should immediately inform Congress of the delay, the reasons, and suggested solutions.

Status: Action in process. Estimated completion date: 09/86

Pollution Control and Abatement

Cleaning Up Hazardous Wastes: An Overview of Superfund Reauthorization Issues

RCED-85-69, 03/29/85

Background

GAO reported on Superfund issues, including the Superfund's current status and matters involved in reauthorizing the Superfund Act.

Findings

GAO found that the scope of the hazardous waste problem, the cost of the hazardous waste problem, the degree of health risks involved, and the cost of correcting these problems are unknown. Under the Superfund Act, the Environmental Protection Agency (EPA) has no mandate to set nationwide cleanup standards or oversee state-conducted cleanups. The absence of standards complicates an al-

ready lengthy, complex process for cleaning up hazardous waste sites. EPA estimated that federal cleanup costs for priority sites, in 1983 dollars, could range from \$7.6 billion to \$22.7 billion and that these cleanups could take until fiscal year 1999. As a result of the lack of national standards and compliance enforcement, EPA expects to cleanup relatively few of the nation's uncontrolled hazardous waste sites. Further, although individual states are assisting in cleanup efforts, the situation is not resulting in uniform protection from the dangers posed by hazardous waste sites. GAO concluded that the resolution of this issue may require Congress to weigh competing priorities and determine the extent to which it believes an expanded federal role at non-National Priorities List (NPL) sites is necessary.

Open Recommendations to Congress

Congress should consider the merits of changing the act's structure. This change would emphasize permanent, long-term remedies and entail: (1) assigning EPA a role in ensuring that a minimum level of protection from all sites is provided, including setting national standards as discussed in this report; and (2) allowing possible delegation of some authority to the states under EPA oversight. Congress should also require EPA to monitor state cleanup performance and report on the extent and adequacy of state actions. This would provide a data base on which to evaluate the need for a greater federal role at non-NPL sites.

Status: Action in process.

Pollution Control and Abatement

Greater Use of Value Engineering Has the Potential To Save Millions on Wastewater Treatment Projects

RCED-85-85, 07/16/85

Background

GAO reported on whether value engineering (VE) could be used to achieve cost reductions for wastewater treatment plants funded by the Environmental Protection Agency (EPA) by extending VE to: (1) design plans of projects costing from \$1 million to \$10 million; and (2) construction through the use of construction incentive clauses. VE is a method of analyzing a product or service so that its function can be performed at the lowest possible cost without sacrificing overall quality.

Findings

GAO found that: (1) EPA requires VE design reviews only for projects costing

more than \$10 million and does not require VE during project construction; (2) increased use of VE on wastewater projects could save EPA from \$25 million to \$57 million annually; (3) EPA and other agencies have achieved cost savings by using VE on smaller projects, including wastewater projects, during both design and construction; and (4) an EPA staff study recommended VE design reviews for all projects costing more than \$1 million. GAO also found that: (1) out of 2,750 EPA-funded projects costing less than \$10 million under construction during 1983, state officials reported that only 7 had been value engineered; (2) few grantees are likely to use VE voluntarily because project cost savings are passed back to the states and project study costs are paid

by grantees; and (3) many state officials are opposed to the use of construction incentive clauses because of concern that such clauses might increase administrative work, reduce project reliability, and fail to generate enough savings to justify the effort.

Open Recommendations to Congress

Congress should revise the Federal Water Pollution Control Act to require VE review on designs of wastewater treatment projects costing more than \$1 million.

Status: Action not yet initiated.

Pollution Control and Abatement

Hazardous Waste Management at Tinker Air Force Base—Problems Noted, Improvements Needed

NSIAD-85-91, 07/19/85

Background

Pursuant to a congressional request, GAO reviewed hazardous waste management practices at Tinker Air Force Base (AFB), Oklahoma.

Findings

GAO found that: (1) the base has been selling, transferring, or disposing of hazardous wastes rather than recycling them, as required by Department of Defense (DOD) waste management policies; (2) an industrial waste treatment plant at the base was not being used to full capacity; (3) rather than repairing a damaged portion of the treatment plant that could handle certain chemicals, the base is using the Defense Property Disposal Service

to dispose of them; (4) poor management of the plant has led to equipment problems, supply shortages, inadequate written policies, and improper collection, storage, and analysis of waste samples; (5) the base is not in compliance with regulations implementing the Resource Conservation and Recovery Act; (6) inadequate environmental monitoring on the base has caused the contamination of all of the major streams that flow across the base; and (7) the base has had problems with overcharges on hazardous waste disposal contracts.

Open Recommendations to Agencies

The Secretary of Defense should direct the Secretary of the Air Force to procure

all of the equipment necessary to recycle and reuse hazardous waste and identify other recycling opportunities to reduce hazardous waste generation at Tinker AFB.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Air Force to change operational procedures at Tinker AFB to better segregate hazardous wastes to facilitate recycling or reuse.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Air Force to make better use of the industrial waste treatment plant at Tinker AFB to reduce the quantities of hazardous waste requiring disposal off base.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Air Force to exercise greater caution in the selection of disposal

sites at Tinker AFB to reduce potential DOD liability for environmental damage caused by their operations.

Status: Action not yet initiated. DOD has entered into informal discussions with the Environmental Protection Agency to find out what has to be done.

The Secretary of Defense should direct the Secretary of the Air Force to improve monitoring of the manifest system at

Tinker AFB to ensure that hazardous waste is properly accounted for and disposed of.

Status: Action in process.

The Secretary of Defense should direct the Secretary of the Air Force to improve monitoring of the disposal activities of hazardous waste disposal contractors at Tinker AFB.

Status: Action in process.

Pollution Control and Abatement EPA's Sanctions Policy Is Not Consistent With the Clean Air Act

RCED-85-121, 09/30/85

Background

Pursuant to a congressional request, GAO reviewed: (1) the legality and appropriateness of the sanctions policy adopted by the Environmental Protection Agency (EPA) for communities that fail to meet air quality standards imposed by the Clean Air Act; and (2) the effects of a longstanding construction ban in communities that failed to meet air quality standards before the deadline imposed by the act.

Findings

EPA has the authority under the act to impose sanctions against communities that fail to meet the act's requirements, including: (1) banning construction or modification of factories or other facilities that would be major pollution sources;

and (2) reducing EPA or federal highway grants for activities that might contribute to increased pollution. GAO found that: (1) for states and communities that missed a December 1982 deadline, EPA decided to call for revised air quality implementation plans and set new deadlines; (2) subsequently, Congress prohibited EPA from imposing sanctions in states that had submitted implementation plans, whether or not the plans would result in air quality improvements; and (3) EPA has not changed its sanction policy, which could be a violation of the act because it does not impose automatic sanctions on communities that fail to meet the act's requirements. In addition, GAO found that construction bans that were imposed on communities that failed to meet 1978 and 1979 implementation deadlines have had little effect because: (1) the sluggishness of the economy during the period in question caused a decline in planned

construction; (2) EPA originally designed the ban so that it would have limited applications; (3) some companies were able to design and construct facilities that emitted pollutants at acceptable rates; and (4) a large percentage of air pollution comes from sources other than factories and buildings.

Open Recommendations to Agencies

The Administrator of EPA should either: (1) develop and implement a policy to provide sanctions for areas not attaining air quality standards by the deadlines specified in the Clean Air Act; or (2) seek relief through proposed legislation from the applicable Clean Air Act provisions which GAO believes require the imposition of such sanctions.

Status: Action not yet initiated.

Recreational Resources

Better Management of National Park Concessions Can Improve Services Provided to the Public

CE-80-102, 07/31/80

Background

Pursuant to a congressional request, GAO discussed the management of concession operations by the National Park Service (NPS).

Findings

GAO found that concessioner performance evaluation would be more effective if visitors' opinions and comments were used in appraising concessioner performance. Existing concessioners already have a competitive advantage over others who want to operate in the parks, they do not need additional legal advantages. By using single concessioners to provide the services in a park, NPS has limited its options for requiring improvement without seriously disrupting service to the public. As a result, NPS does not take necessary corrective actions. GAO also found that concession rates are not always studied, justified, or documented before approval, and the quality of facilities is given little or no consideration in approving the rates.

Open Recommendations to Congress

Congress should eliminate preferential rights for new and additional services.

Status: Action not yet initiated.

Congress should amend the Concessions Policy Act to allow possessory interest only in those instances where no other alternative is available and then only under the following conditions: (1) possessory interest should be valued by the government at no more than the original cost to construct or improve the facility less amortization over a period no longer than the estimated useful life of the facility or the term of the contract, whichever is shorter; and (2) if the contract is terminated by NPS or the concessioner and the facility has not been fully amortized.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Secretary of the Interior should require the NPS Director to develop a new

franchise fee rate system that reflects the value of privileges granted under concession contracts. The new system should be: (1) easily understood with a minimum amount of subjective analysis required so that NPS concession personnel may apply it properly; (2) thoroughly supported and documented; and (3) reviewed periodically to determine if changes are needed.

Status: Action in process. Estimated completion date: 12/85

The Secretary of the Interior should require the NPS Director to develop specific criteria and procedures to help concessions management staff make appropriate adjustments to franchise fee rates, if the new ratesetting system allows adjustments to rates based on pertinent economic factors.

Status: Action in process. Estimated completion date: 12/85

Recreational Resources

Are Agencies Doing Enough or Too Much for Archeological Preservation? Guidance Needed

CE-81-61, 04/22/81

Background

Congress has passed the National Historic Preservation Act Amendments to provide additional guidance and clarification to the National Preservation Program. The amendments give the Secretary of the Interior the authority to waive the 1-percent limitation on the use of project funds to defray the costs of data recovery,

increase the role of state historic preservation programs, and clarify federal agency responsibilities. GAO reviewed the programs of eight agencies whose activities had potential major impacts on archeological sites, the operations of five state historic preservation offices, and the program management of the Heritage Conservation and Recreation Service and the Advisory Council on Historic Preservation.

Findings

The National Archeology Program, which costs about \$100 million a year, is not working well. The Department of the Interior must provide better leadership and direction to federal agencies and states. Without better guidance, some federal agencies could spend billions of dollars over the next 10 to 30 years for ar-

cheological surveys, many of which may not be necessary, while other agencies may not do enough to identify and protect archeological sites. Interior has not established good criteria for agencies to use in determining whether identified sites are important to the national heritage nor has it provided guidance on the extent to which archeological resources must be recovered, recorded, or preserved to comply with federal laws and regulations. This has resulted in project delays, increased costs, and general confusion over what is required to identify sites, determine their significance, and protect their resources. Federal departments and agencies interpret their responsibility for identifying archeological resources differently. Federal agencies rarely coordinate archeological overview studies which could avoid duplication and save money. State historic preservation offices could help federal agencies determine which properties have state and local significance and are eligible for listing on the National Register. While some agencies limit archeological excavation to project areas, others require federal permittees and grantees to excavate sites well outside those areas. Lack of information on program costs and accomplishments hampers the program.

Open Recommendations to Agencies

The Secretary of the Interior should promulgate regulations on federal data recovery efforts and reporting systems including improved dissemination of archeological reports to the National Technical Information Service so that information can be made available to the archeological profession and federal, state, and local officials in a decisionmaking capacity.

Status: Action in process.

The Secretary of the Interior should promulgate regulations on federal data recovery efforts and reporting systems including the development of agency reporting systems for providing information to Interior and agency management on program costs and accomplishments

so that program effectiveness can be monitored and reported to Congress.

Status: Action not yet initiated. Interior agreed with this recommendation but other recommendations had higher priority.

The Advisory Council on Historic Preservation should require federal agencies to define specific significant research questions to be addressed in data recovery, in order to justify archeological excavation costs.

Status: Action in process.

The Secretaries of Housing and Urban Development, Interior, and the Advisory Council on Historic Preservation should, either together or separately, seek the opinion of the Attorney General concerning the extent to which the Department of Housing and Urban Development is required to make archeological surveys to determine whether archeological resources will be affected by federally assisted housing projects.

Target: Department of the Interior

Status: Action in process.

Target: Advisory Council on Historic Preservation

Status: Action in process.

Target: Department of Housing and Urban Development

Status: Action in process.

The Secretary of the Interior should promulgate regulations on federal data recovery efforts and reporting systems including the specific circumstances and that extent to which agencies are required to excavate sites outside a project's direct impact area.

Status: Action not yet initiated. Interior agreed with this recommendation but other recommendations had a higher priority.

The Secretary of the Interior should make state historic preservation offices the focal point for determining whether archeological resources are significant enough to list on the National Register of Historic Places.

Status: Action in process.

The Advisory Council on Historic Preservation should require federal agencies to relate data recovery to priorities defined in state historic preservation plans, where approved plans exist.

Status: Action in process.

The Secretary of the Interior should issue guidelines for the appropriate and consistent development of state archeological data management capabilities, state archeological surveys, and determination of state and local site significance.

Status: Action in process.

The Secretary of Agriculture should direct the Forest Service to improve its program for identifying archeological resources by making sufficiently comprehensive surveys to preclude the need to resurvey the same lands for future projects.

Status: Action in process.

The Secretary of Agriculture should direct the Forest Service to improve its program for identifying archeological resources by monitoring projects to verify that significant archeological sites are protected.

Status: Action in process.

The Secretary of Agriculture should require the Forest Service to improve its program for identifying archeological resources by performing archeological surveys on Forest Service lands before timber harvests or other land-altering projects.

Status: Action in process.

The Secretary of the Interior should finalize regulations setting forth detailed procedures explaining how federal agencies are to conduct surveys and investigations to locate and identify archeological properties.

Status: Action in process.

The Secretary of the Interior should establish formal coordination procedures among federal and state agencies performing archeological overviews.

Status: Action in process.

Recreational Resources

Health and Safety Deficiencies Found at Water Recreation Areas

CED-81-88, 06/15/81

Background

GAO was requested to review the health and safety conditions of nonfederally managed water recreation areas of the Corps of Engineers' and the Water and Power Resources Service's (WPRS) reservoirs.

Findings

GAO found several types of health and safety deficiencies at the Corps and WPRS areas. These included: (1) poorly designed, overused, or malfunctioning sanitation systems; (2) structurally unsafe picnic and restroom facilities; (3) a dam spillway without a barrier; and (4) inadequate disinfection or filtration

systems and excessive bacteria or turbidity levels in drinking water. Corps and WPRS headquarters recreation management officials stated that regular and thorough inspections are not conducted nor are local managing officials directed to make needed improvements. These officials stated that funding constraints make it difficult to effectively monitor the condition of nonfederally managed recreation areas. Nonfederal public agencies' officials acknowledged responsibility for operating and maintaining recreation areas in a safe and healthy condition but stated that they lacked adequate funds. These officials claim that operation and maintenance costs and visitor use have increased over the years but that recreation budgets have not kept pace. As a

result, nonfederal agencies have turned over management of a number of areas to the federal agencies.

Open Recommendations to Agencies

The Secretaries of the Interior and the Army should seek necessary funds and authority from Congress to close or improve, operate, and maintain returned recreation areas and those service areas that were never turned over to a local manager.

Target: Department of the Interior

Status: Action in process. Estimated completion date: 04/86

Recreational Resources

Illegal and Unauthorized Activities on Public Lands—A Problem With Serious Implications

CED-82-48, 03/10/82

Background

GAO reviewed the federal role in providing outdoor recreation in California and Oregon.

Findings

GAO noted that field officials at selected locations of the Bureau of Land Management (BLM) and the Forest Service are not always effectively enforcing laws relating to illegal and unauthorized activities on public lands. Although the magnitude and seriousness of crimes such as burglary and larceny, marihuana cultivation, timber thefts, and trespassing are not fully known, available evidence indicates that such activities are widespread and increasing on BLM and Forest Service

lands. Field officials of the National Park Service are doing a better job of enforcing laws and regulations; nevertheless, there is currently an increase in crimes against people and their property. In each of the three agencies, management constraints such as travel, vehicle, and duty restrictions limit efficient and effective law enforcement activities. Limited agency resources and the remoteness of the land contribute to the rise of illegal and unauthorized activities. However, the agencies' top management did not believe that a serious problem existed. This was due, in part, to a lack of information on these kinds of activities on the public lands managed by the agencies nationwide. The Department of the Interior has not developed an effective, uniform, and

timely management information system as GAO previously recommended. The information system of the Forest Service is new, thus statistics are not yet available for the entire nation.

Open Recommendations to Agencies

The Secretaries of the Interior and Agriculture should direct the heads of the land management agencies to establish and effectively implement law enforcement information systems that provide management with essential and reliable reporting information on the seriousness and extent of crime on public lands. Such systems are vital to supervising and controlling law enforcement efforts.

Target: Department of Agriculture
Status: Action in process. Estimated completion date: 06/86

Target: Department of the Interior
Status: Action in process.

Recreational Resources Increasing Entrance Fees: National Park Service

CED-82-84, 08/04/82

Background

GAO conducted a review to estimate National Park System entrance fees using the criteria in the Land and Water Conservation Fund Act of 1965, as amended, to determine whether it was appropriate for Congress to reconsider its fee moratorium.

Findings

A 1979 congressional moratorium has prevented the National Park Service (NPS) from raising entrance fees at 333 units in the National Park System in spite of rising operating costs and inflation. Between 1971 and 1981, NPS operation and maintenance costs per visitor rose 149 percent while entry fee revenues per visitor declined 30 percent. As a result, entry fee revenues declined from over

7 percent of NPS operation and maintenance costs in 1971 to about 2 percent of those costs in 1981. During the same period, inflation rose by 129 percent. Using a unit-day-value method, GAO determined that the recreation benefits at six major park system units have a daily value ranging from \$7.64 to \$11.40 for a family of four. However, daily entrance fees at these parks only average about \$3.00 per vehicle. Using the six legislative criteria as guidelines, GAO estimated that the NPS could generate net additional revenues of \$18 million at 48 of the 71 units which GAO reviewed. GAO also estimated that NPS could generate additional net income of \$2.7 million by extending fee collection hours at 14 parks. The responsibility for setting park entrance fees rests with the Secretary of the Interior. GAO agrees with proposed legislation which would repeal the moratorium on initiating and

increasing park entrance fees and remove the \$10 limit on the price of the Golden Eagle Passport, which allows unlimited entry to all parks for the calendar year.

Open Recommendations to Congress

Congress should repeal section 402 of Public Law 96-87, which froze all national NPS entrance fees at their January 1, 1979, level and prohibited collecting entrance fees at any additional units.

Status: Action not yet initiated.

Congress should amend section 4 of the Land and Water Conservation Fund Act of 1965, as amended, to remove the \$10 limit on the price of a Golden Eagle Passport.

Status: Action not yet initiated.

Recreational Resources National Park Service Needs a Maintenance Management System

RCED-84-107, 06/01/84

Background

Pursuant to a congressional request, GAO examined the potential for increased efficiency and effectiveness in maintaining the national park system.

Findings

The National Park Service (NPS) spends millions of dollars annually to maintain the buildings, roads, bridges, monuments, hiking trails, and utility systems on the more than 79 million acres of developed

and undeveloped land which comprise the national park system. GAO visited nine national park system units in 1983 and found that attention had not always been given to systematically maintaining facilities and that NPS had not provided adequate maintenance policy, guidance, or training. At seven of the parks visited, GAO found that park superintendents were not determining or requesting the funding needed to properly maintain park assets, properly accounting for maintenance resources, or assessing the efficiency and effectiveness of

their maintenance activities. Superintendents at these seven parks agreed that they did not have the necessary information about their maintenance operations and did not know whether their maintenance activities were effective or efficient. NPS has estimated that the cost of developing and implementing an effective maintenance management system would be less than \$10 million. GAO believes that the cost of such a system could be justified by the large annual NPS maintenance budget, the current maintenance problems, and the potential to

recapture development and implementation costs through reduced maintenance costs, increased productivity, and other benefits.

Open Recommendations to Agencies

The Secretary of the Interior should direct the NPS Director to design, test, and implement in the national park system a MMS which includes the key management elements discussed in this report. To

help in designing a system, NPS officials may want to obtain information from organizations such as Parks Canada which have MMS in operation.

Status: Action in process.

The Secretary of the Interior should direct the NPS Director to develop NPS guidelines on the system and processes needed to properly manage maintenance in the parks.

Status: Action in process.

The Secretary of the Interior should direct the NPS Director to develop a training program which focuses on planning, organizing, directing, and reviewing activities associated with a maintenance system and ensure that maintenance managers and other appropriate park and regional personnel receive the training.

Status: Action in process.

Water Resources
Wastewater Dischargers Are Not Complying With EPA Pollution Control Permits

RCED-84-53, 12/02/83

Background

GAO reviewed compliance with and the effectiveness of the National Pollutant Discharge Elimination System (NPDES).

Findings

NPDES was established by the Clean Water Act to limit the type and amount of pollution that a municipal or industrial facility may legally discharge into the nation's waterways. Under NPDES, discharge permits are issued, and GAO found that noncompliance with permit limits was widespread, frequent, and significant. Specifically, GAO estimated that 82 percent of the major dischargers sampled in six states exceeded their monthly average pollution permit limits at least once during an 18-month period and that 31 percent of those dischargers exceeding their limits were in significant noncompliance during that period. GAO stated that current enforcement practices allow non-compliance to continue for long periods and that thousands of dischargers have not been issued permits or hold expired permits. GAO noted that federal funding

of water quality programs has significantly declined in recent years.

Open Recommendations to Agencies

The Administrator, Environmental Protection Agency (EPA), should determine to what degree limited resources contribute to continued high noncompliance and enforcement problems in the permit program and present this analysis to Congress for its consideration in determining whether additional resources should be provided to improve the program's effectiveness.

Status: Action in process.

To address problems in the NPDES permit program that can be mitigated without substantial additional resources, the Administrator, EPA, should develop information on New York State's subsidy program for treatment plant operation and maintenance to determine if the program does, in fact, improve compliance rates. If significant contributions have been made by

the subsidy program, EPA should communicate the results of the program to all the states.

Status: Action in process.

To address problems in the NPDES permit program that can be mitigated without substantial additional resources, the Administrator, EPA, should require EPA regional offices and encourage the states to follow-up in a timely manner on missing and incomplete discharge monitoring reports.

Status: Action in process.

To address problems in the NPDES permit program that can be mitigated without substantial additional resources, the Administrator, EPA, should provide trend data from the EPA Laboratory Quality Assurance Program to regions and states to help them upgrade the quality of performance of laboratories providing data for discharge reports.

Status: Action in process.

Water Resources

Consolidating Federal Stream Forecasting Activities May Reduce Duplication of Resources and Effort

RCED-84-104, 07/24/84

Background

GAO reported on the stream forecasting activities of the National Weather Service (NWS), the Army Corps of Engineers, and other federal water resources operating agencies. The report determined whether opportunities exist to consolidate activities among agencies.

Findings

GAO found that the agencies have developed independent stream forecasting capabilities which results in duplication of equipment, staff, and effort. GAO noted that the results of applying consolidation concepts to the Ohio River Basin indicate that benefits would result from establishing a joint regional data center in this basin. Similar benefits may also

be possible in other river basins where more than one agency has established a capability to collect and store information and prepare stream forecasts to meet agency-specific requirements.

Open Recommendations to Agencies

The Secretary of the Army should direct the Chief of Engineers and the Secretary of Commerce should direct the Administrator, National Oceanic and Atmospheric Administration (NOAA), to study the overall feasibility of creating joint Corps/NWS stream forecast centers and establish such centers in those hydrographic regions where the operational requirements of both agencies can be met and duplication eliminated.

Target: Department of the Army

Status: Action in process.

Target: Department of Commerce

Status: Action in process.

The Secretary of the Army should direct the Chief of Engineers and the Secretary of Commerce should direct the Administrator, NOAA, to actively solicit the input and participation of other agencies concerned with water data collection and stream forecasting in those regions.

Target: Department of the Army

Status: Action in process.

Target: Department of Commerce

Status: Action in process.

Water Resources

EPA's Innovative Technology Program for Waste Water Treatment Needs Better Controls

RCED-84-79, 08/20/84

Background

GAO discussed the need for better controls in the Environmental Protection Agency's (EPA) innovative technology program for wastewater treatment. The program has significant potential to improve wastewater treatment technology and can reduce expenditures for energy, construction, and operation of future projects.

Findings

GAO found that EPA awarded \$20.2 million to questionable projects and \$7.3 million to projects which could not be assessed for innovative sewage treatment

technologies. Further, project engineers in two of the three regions reviewed by GAO generally did not ensure that projects were innovative. GAO concluded that, although the program was designed to break down barriers hindering development of innovative technology in wastewater treatment, the program has had limited success. The program does not provide sufficient incentives for consulting engineers and states to take the risk or incur the additional cost of developing innovative projects.

Open Recommendations to Agencies

The Administrator, EPA, should, to help ensure that the objectives of the innova-

tive technology program are achieved, determine the extent to which all EPA regions are ensuring that projects are technologically innovative.

Status: Action in process.

The Administrator, EPA, should direct regional administrators to establish procedures which will help ensure that the factors constituting technological risk are identified and evaluated. The procedures should include having the regional administrator: (1) independently verify that all proposed innovative projects are thoroughly and systematically

evaluated for technological risk, including projects proposed under regional discretion authority; (2) send all innovative project requests to the Cincinnati technical support group for review; unless actions to the contrary are appropriately

justified, the regions should be required to follow the support group's recommendations; and (3) provide a written explanation of the basis for each innovative decision including the evaluation of risk and potential benefits and actions

taken on the technical support group's recommendations.

Status: Action in process.

Nondiscrimination - Equal Opportunity Programs

Uniform Guidelines on Employee Selection Procedures Should Be Reviewed and Revised

FPCD-82-26, 07/30/82

Background

The Uniform Guidelines on Employee Selection Procedures describe the federal government's position on how tests should be used in making employment decisions which are consistent with federal equal employment opportunity (EEO) laws. This review was made because GAO believes that the guidelines: (1) are important to EEO enforcement; and (2) have been publicly criticized by some of their users. The objective of the review was to determine whether those responsible for administering the guidelines and those who use them were experiencing any problems in their application.

Findings

In the opinion of GAO, the importance of the guidelines to EEO enforcement is not at issue. On the basis of the preponderance of views and experience expressed to GAO, it believes that the guidelines can have a major role in ensuring compliance with the spirit and intent of federal EEO laws. While revisions to the guidelines' technical provisions could be postponed until after the new American Psychological Association standards are published, beginning the

review now could prevent unnecessary delay between issuance of those standards and any revisions.

Open Recommendations to Agencies

EEOC should examine the problems associated with: (1) collecting and maintaining adverse impact data; (2) searching for alternatives during validation; and (3) the relationship of merit laws to the guidelines.

Status: Action in process. Estimated completion date: 12/85

EEOC should determine how to make the guidelines more understandable to their users.

Status: Action in process.

The Office of Personnel Management should cooperate with EEOC in this important effort.

Status: Action not yet initiated. EEOC said that, at this stage, the other signatory agencies would not be included in discussions of options. Once EEOC decides what option to follow, the other agencies will be included.

The Department of Justice should cooperate with EEOC in this important effort.

Status: Action not yet initiated. EEOC said that, at this stage, the other signatory agencies would not be included in discussions of options. Once EEOC decides what option to follow, the other agencies will be included.

The Department of Labor should cooperate with EEOC in this important effort.

Status: Action not yet initiated. EEOC said that, at this stage, the other signatory agencies would not be included in discussions of options. Once EEOC decides what option to follow, the other agencies will be included.

The Department of the Treasury should cooperate with EEOC in this important effort.

Status: Action not yet initiated. EEOC said that, at this stage, the other signatory agencies would not be included in discussions of options. Once EEOC decides what option to follow, the other agencies will be included.

Comments on the Economic Implications of the Proposed Florio Amendment to the Nondiscrimination in Insurance Act

OCE-84-6, 09/27/84

Background

GAO was asked to analyze a substitute to H.R. 100, proposed legislation which would prohibit distinctions based on race, color, religion, sex, or national origin in the marketing and pricing of insurance and pension contracts. The bill would have required that: (1) sex-distinct premiums and benefits in the contracts be equalized; and (2) no one's benefits be reduced as part of the equalization process. The substitute bill would: (1) allow sex distinctions to continue in existing contracts; (2) delete the provision that no one's benefits would be reduced as part of the equalization process; (3) prohibit targeted marketing of insurance; and (4) extend the transition period.

Findings

GAO found that some of the economic effects of the substitute bill would be significantly different from those of

the originally proposed legislation. In particular, the increases in unfunded liabilities created by the original bill for life insurance companies and pension plans would be reduced by between \$18.3 and \$21.6 billion. These reductions would result largely from allowing sex distinctions to continue in existing life insurance contracts and in pensions and annuities currently being paid to retirees. Therefore, the redistributive effects of the substitute bill would be smaller than those of the original bill. The efficiency effects would be the same under the substitute bill as under the original bill, unless the legislation were interpreted as prohibiting the use of risk factors correlated with sex. In this case, efficiency losses would increase because the size of price changes would increase and policyholders would be more likely to change their purchases of insurance, and the positive effects associated with substituting other risk factors would no longer be possible. In addition, the original bill would have

imposed \$800 million in administrative costs and the substitute bill makes these changes unnecessary. Finally, because the substitute bill would reduce the unfunded liabilities and extend the period for implementing the act's requirements, it would virtually eliminate the risk of insurance company insolvency resulting from the legislation.

Open Recommendations to Congress

Congress should revise section 4(f) of the substitute bill to make clear whether it is intended to prohibit only risk factors explicitly based on sex, or risk factors correlated with sex as well.

Status: Action not yet initiated.

Security of ADP Systems

Federal Information Systems Remain Highly Vulnerable to Fraudulent, Wasteful, Abusive, and Illegal Practices

MASAD-82-18, 04/21/82

Background

GAO was requested to evaluate the information security programs in the executive agencies. Specifically, GAO was asked to address: (1) whether the Office of Management and Budget (OMB) guidelines, if fully implemented by the executive agencies, provide an acceptable level of protection over information systems; (2) whether the central agencies fulfill their governmentwide information security program responsibilities; (3) what the executive agencies are doing to implement governmentwide information security program policy and guidance; and (4) what the executive agencies must do to achieve a reasonable level of protection over their automated information systems, particularly those using telecommunications networks. An examination was made of the vulnerability of automated information systems in the executive agencies to abusive and unauthorized practices.

Findings

GAO found that: (1) OMB Circular A-71 was not sufficiently comprehensive to provide needed policy and guidance to executive agencies for establishing reasonable levels of protection; (2) the central agencies have not fulfilled their automated information security program responsibilities; (3) executive agencies are doing little to implement information security program policy and guidance; (4) executive agencies have not developed and maintained a total system of controls to eliminate the fraudulent, wasteful, abusive, and illegal practices to which their automated information systems have been and are being subjected. These conditions have precluded the establishment and maintenance of a reasonable level of protection over automated information systems used by executive agencies. GAO

noted the following specific problems: (1) deficiencies in OMB Circular A-71 have left some executive agencies confused as to the nature and extent to which it should be implemented and its application to the automated systems; (2) the ineffective information security programs of the central agencies have been a primary contributing factor to the continuing vulnerability of the automated information systems in the executive agencies; and (3) the increasing federal investments in automated information systems have resulted in growing vulnerability to fraudulent, wasteful, abusive, and illegal practices because greater concentrations of information are accessible from remote terminals.

Open Recommendations to Agencies

The Director of OMB should monitor the effectiveness of and agencies' compliance with P.L. 87-847, the Federal Telecommunications Fund, and P.L. 89-306, often called the Brooks Act.

Status: Action in process.

The Director of OMB should, through a review of budget proposals, inform the President and Congress of the progress made to develop and maintain a reasonable level of protection over personal, proprietary, and other sensitive information in the executive agencies.

Status: Action not yet initiated. OMB has taken no action on this item. However, the Administration will review security budget proposals pursuant to National Security Decision Directive (NSDD) 145, National Policy on Telecommunications and Automated Information Systems, dated September 17, 1984.

The Director of OMB should initiate and review proposals for changes in legislative regulations and agency procedures to improve automated data processing and telecommunications practices to ensure a reasonable level of protection over personal, proprietary, and other sensitive information as developed and maintained by the executive agencies.

Status: Action not yet initiated.

The central agencies must work together more cooperatively to coordinate policies, principles, standards, and guidelines for information protection to substantially reduce the vulnerabilities and risks presently associated with executive agencies' automated information systems.

Target: Office of Management and Budget

Status: Action in process.

Target: General Services Administration

Status: Action in process.

Target: Department of Commerce: National Bureau of Standards

Status: Action in process.

Target: Office of Personnel Management

Status: Action in process.

The heads of executive departments and agencies should establish internal review audit programs which will periodically evaluate and report on the level of protection actually provided over automated information systems.

Status: Action in process.

The Director of OMB should provide advice and guidance on the acquisition and use of automated data processing and telecommunications equipment and coordinate, through the review of budget proposals and other methods, agency proposals for acquisition and use of such equipment. Implementation of this responsibility combined with a review of agencies' plans for establishing and maintaining a reasonable level of protection over their automated information systems will help ensure implementation of such plans.

Status: Action not yet initiated. Although OMB has taken no action, NSDD 145 establishes the National Telecommunications and Information Systems Security Committee, which is providing advice and guidance through the National Computer Security Center and its standards.

The Director of OMB should revise OMB Circular A-71, Transmittal Memorandum 1, to: (1) identify the minimum controls necessary for ensuring a reasonable level of protection over personal, proprietary, and other sensitive information; (2) clarify the interrelationship between Transmittal Memorandum 1 and policy and guidance on safeguarding information classified for purposes of national security; (3) clarify when executive agencies must afford the same level of protection against unauthorized disclosure of personal, proprietary, and other sensitive information as they do to information classified for purposes of national security; and (4) establish policy and

specific guidance for achieving a reasonable level of protection over those systems, using telecommunication networks.

Status: Action in process.

The Director of OMB should require executive agencies to submit to OMB, for review and approval, new plans for establishing and maintaining a reasonable level of protection over their automated information systems, in accordance with a revised Transmittal Memorandum 1. This includes establishing and maintaining an effective internal evaluation of their automated information security programs.

Status: Action not yet initiated.

The Director of OMB should develop procedures for ensuring executive agencies' implementation of their automated information security program plans. Implementation of these plans should be integrated into the budget process so that major automated information systems are designed, developed, operated, and maintained with a reasonable level of protection. Each system should have a restricted statement of the potential vulnerabilities, the specific security program to be used, and the expected level of risk when the security program is implemented; that is, what vulnerabilities will exist even with the implementation of the security program.

Status: Action not yet initiated.

The Director of OMB should fully implement other OMB responsibilities as specified in the Paperwork Reduction Act of 1980 and as they relate to information security programs involving federal automated data processing systems and telecommunication networks.

Status: Action in process.

The heads of executive departments and agencies should identify, in accordance with a revised Transmittal Memorandum 1, the vulnerabilities and risks associated with their automated information systems and develop a new plan for establishing a reasonable level of protection over those systems.

Status: Action in process.

The heads of executive departments and agencies should identify a time schedule and resource requirements for implementing the plan.

Status: Action in process.

The heads of executive departments and agencies should include, with their next budget request, a report describing the actions taken to implement the plan and to implement recommendations made by the agency internal review group.

Status: Action not yet initiated. The departments and agencies are responding to data calls pursuant to NSDD 145, but they have not directly responded to the specific provisions of this recommendation because OMB has not implemented the recommendation on review of budget proposals.

Transportation

Air Transportation

FAA Could Improve Overall Aviation Safety and Reduce Costs Associated With Airport Instrument Landing Systems

RCED-85-24, 04/03/85

Background

GAO discussed ways the Federal Aviation Administration (FAA) could improve overall aviation safety and reduce the costs associated with airport instrument landing systems (ILS). FAA has established a system of air traffic control and navigation aids in which the ILS are an integral part. Existing ILS will eventually be replaced by more advanced systems known as microwave landing systems. FAA has published criteria for installing and removing landing systems to help ensure cost benefits and overall safety. GAO did this review to determine whether: (1) the ILS operated by FAA are justified; and (2) opportunities exist for FAA to reduce the cost of operating and maintaining these systems.

Findings

GAO found that an ILS is not economically justified when the estimated costs of owning, operating, and maintaining it exceeds the quantified economic value of the benefits. Using FAA criteria, GAO identified 22 ILS which did not appear

justified and stated that FAA should perform a cost analysis on the systems and decommission those that are no longer justified. GAO reviewed 40 other ILS which were installed to meet special needs and found that FAA had not collected the data needed to determine whether the systems were meeting those needs. GAO found that FAA could improve overall aviation safety and reduce costs by ensuring that existing ILS are located where they are needed.

Open Recommendations to Agencies

The Secretary of Transportation should, before acquiring any new ILS, direct the Administrator, FAA, to perform the required computer-generated detailed benefit-cost analysis for the 22 ILS not installed to meet special conditions or needs and which appear to meet FAA decommissioning criteria. Those that are found not to be justified should be decommissioned and relocated at airports meeting FAA safety and operational efficiency criteria.

Status: Action in process.

The Secretary of Transportation should, before acquiring any new ILS, direct the Administrator, FAA, to collect the data to determine whether ILS installed to meet special conditions or needs, including those installed under a satellite airport program or specifically to meet training needs, are accomplishing their objectives.

Status: Action in process.

The Secretary of Transportation should, before acquiring any new ILS, direct the Administrator, FAA, to establish criteria for decommissioning ILS installed to meet special conditions or needs that clearly identify when conditions or needs which justify the systems cease to exist or change significantly. Those that are not accomplishing their objectives and that are not justified on the basis of benefit-cost criteria developed by FAA should be decommissioned and relocated at airports meeting FAA safety and operational efficiency criteria.

Status: Action in process.

Ground Transportation

Changes to the Motor Vehicle Recall Program Could Reduce Potential Safety Hazards

CED-82-99, 08/24/82

Background

GAO reported on the motor vehicle recall program's safety defect investigation process and its owner response rates. The National Highway Traffic Safety Administration (NHTSA), which administers the program, conducts defect investigations of approximately 50 to 70 per-

cent of the recalled motor vehicles, and the motor vehicle industry voluntarily initiates investigations of the remaining recalls. Since 1966, about 128 million motor vehicles, tires, and other related replacement items have been recalled because of safety defects. GAO reviewed the recall program to determine if: (1) NHTSA could hasten its safety defect

identification process; and (2) the number of owners responding to recalls could be increased.

Findings

GAO found that the NHTSA investigations often take years to complete, while

vehicles continue to be exposed to possible safety deficiencies. The average time for each case in the NHTSA Office of Chief Counsel is approximately 14 months. As a result of delays, information to support some case findings often has to be updated. GAO also found that about 50 percent of the owners notified of potential safety defects do not take their vehicles in for inspection and/or correction. A 1980 survey indicated that some owners do not respond to recalls because they do not perceive the defect as a problem or do not believe the recall is important. GAO believes that

the reason behind those perceptions and beliefs could be that the recall letters are too difficult for many owners to understand.

Open Recommendations to Agencies

The Secretary of Transportation should instruct the Administrator, NHTSA, to work with motor vehicle manufacturers to change the wording and format in a recall letter to lower its reading level and test the revised letter in an actual

recall to determine its effectiveness in increasing response rates.

Status: Action in process.

The Secretary of Transportation should instruct the Administrator, NHTSA, to work with motor vehicle manufacturers to test various reminder techniques in actual recalls to determine whether they increase response rates and are cost-effective.

Status: Action in process.

Ground Transportation Value Engineering Has the Potential To Reduce Mass Transit Construction Costs

RCED-83-34, 12/29/82

Background

Millions of dollars in federal, state, and local construction funds can be saved by applying value engineering (VE) to the designs of construction projects funded by the Urban Mass Transportation Administration (UMTA). GAO conducted this review to determine: (1) how effective VE would be when applied to heavy rail and bus construction projects; and (2) whether VE could produce greater savings than the UMTA peer review on one aspect of a proposed subway station.

Findings

Most transit authorities that receive UMTA funds lack the technical expertise to design projects. To obtain this capability, they hire architectural/engineering firms. Because the firms design facilities to satisfy the requirements of transit authorities, the cost to construct the facilities may be greater than necessary. The design plans are evaluated by UMTA regional engineers for cost effectiveness, safety, and technical feasibility. However, UMTA officials and architectural/engineering representatives acknowledge that UMTA does not have enough engineers to adequately review designs. Unlike VE, peer review

does not include use of a job plan, analysis of the functional requirements of a system before recommendations are made, or use of formal criteria and guidelines. UMTA believes that peer reviews held during the conceptual and informational stages of project development have saved millions of dollars in construction costs. For fiscal years 1965 through 1981, UMTA has provided about \$18 billion in capital grants to local transit authorities to construct and rehabilitate rail and bus facilities, which included \$7.5 billion for rail and \$1.5 billion for bus projects. The remaining funds were used to purchase rolling stock and equipment and for similar purposes. In fiscal year 1981, obligations for UMTA capital programs totalled about \$2.9 billion; \$866 million was used for bus and \$2 billion for rail projects. GAO believes VE can significantly reduce construction costs as demonstrated in VE workshops and by other federal agencies.

Open Recommendations to Agencies

The Secretary of Transportation should direct the Administrator of UMTA to implement a VE program for construction projects.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of UMTA to apply VE early in a project's design on all UMTA-funded construction projects exceeding \$2 million.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of UMTA to share with the grantee the cost and savings of VE in proportion to its participation in project costs when implementing the program.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of UMTA to ensure that VE is performed by a private architectural/engineering firm not participating in the project when implementing the program.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of UMTA to ensure that construction contracts include

a VE incentive clause when implementing the program.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of UMTA to limit its peer review program to the conceptual and informational phases of major

construction projects and complement it with VE during the early design and construction phases of such projects.

Status: Action in process.

Ground Transportation

Department of Transportation Needs Better Assurance That Transit Systems Are Maintaining Buses

RCED-83-67, 03/25/83

Background

GAO examined the preventive maintenance activities of six major transit systems to determine whether the substantial federal investment in transit buses is adequately protected through proper maintenance.

Findings

GAO found that, although the Urban Mass Transportation Administration (UMTA) requires grantees to maintain buses purchased with federal assistance, it has no policy or guidelines explaining the criteria for adequate maintenance. In addition, it has not systematically evaluated how well vehicles purchased with federal assistance are maintained. The scope and severity of maintenance problems nationwide is

largely unknown. However, in its study of six major transit systems, GAO found that buses did not always receive timely preventive maintenance which could affect their reliability and useful life. In one system, over one-third of the year's scheduled maintenance activities were performed when the vehicles' mileage exceeded that prescribed for maintenance by at least 1,000 miles. Although climate and terrain can also affect bus performance, GAO believes that some of the decline in the reliability of many transit systems' vehicles may be attributed to untimely or inadequate maintenance. GAO also found: (1) that many transit operators lack the resources to carry out preventive maintenance programs despite the availability of federal operating assistance; and (2) inadequate mechanic training and maintenance facilities, a lack of mechanics, and more sophisticated vehicles requiring more maintenance.

Open Recommendations to Agencies

The Secretary of Transportation should direct the Administrator of UMTA to require that federal capital grant assistance for bus purchases be subject to maintenance certification and independent audit provisions similar to those required for block grants. The amount of future federal grant assistance should be dependent on correction of maintenance program deficiencies.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of UMTA to work with the transit industry and develop a federal bus maintenance policy with flexible guidelines on what constitutes an adequate maintenance program and criteria to evaluate these programs.

Status: Action in process.

Ground Transportation

Cost Effectiveness of Life-Cycle Process in Buying Transit Vehicles Questionable

RCED-83-184, 09/01/83

Background

GAO discussed the Urban Mass Transportation Administration's (UMTA) procedure that requires federally funded transit systems to use life-cycle costs when buying transit vehicles.

Findings

GAO found that major obstacles inhibit this process, resulting largely from: (1) transit systems' failure to prove that such procurement decisions are cost effective; and (2) a lack of adequate information, resources, or technical expertise for transit systems to effectively use the process.

Further, transit systems have not adequately documented performance costs for the vehicles purchased to assess the validity of the cost projections. GAO believes that, if performance projections cannot be effectively confirmed, the continued use of the life-cycle cost process should be questioned because of the additional costs involved.

Open Recommendations to Agencies

The Secretary of Transportation should direct the UMTA Administrator to develop research and demonstration projects with selected transit systems to keep operating and maintenance cost records for the vehicles bought to determine the validity of the cost projections used in making the contract award.

Status: Action in process. Estimated completion date: 01/86

The Secretary of Transportation should direct the UMTA Administrator to develop research and demonstration projects with selected transit systems to identify ways to overcome the obstacles to using the life-cycle cost procurement process by addressing the problems of the availability

of adequate data, selection of verifiable cost factors, failure to consider the present value of the projected costs, development of fair evaluation processes, and expertise needed to adequately evaluate cost projections.

Status: Action in process. Estimated completion date: 01/86

Ground Transportation The Outdoor Advertising Control Program Needs To Be Reassessed

RCED-85-34, 01/03/85

Background

Pursuant to a congressional request, GAO provided information on the effectiveness of the outdoor advertising control program which was established by the Highway Beautification Act of 1965.

federal funds are not being appropriated to compensate sign owners for their removal, as required by the act. GAO concluded that either additional federal funding or a change in the compensation requirement of the act will be required to meet the act's goals.

changes to the goal and requirements which reflect an appropriate level of funding.

Status: Action in process.

Findings

GAO found that, since the enactment of the act, thousands of outdoor advertising signs have been removed to enhance the natural beauty of the nation's highways. However, many prohibited signs are still standing and are likely to remain, because

Open Recommendations to Congress

Congress should reassess the outdoor advertising control program, weighing the program's goal and requirements against program costs and, if warranted, consider

Open Recommendations to Agencies

The Secretary of Transportation should complete the review of the Federal Highway Administration's proposed program changes, develop the Department of Transportation's position on the program, and present that position to Congress.

Status: Action in process.

Ground Transportation Stronger Enforcement Would Help Improve Motor Carrier Safety

RCED-85-64, 09/05/85

Background

GAO reviewed the motor safety enforcement program that is carried out by the Federal Highway Administration's (FHWA) Bureau of Motor Carrier Safety, focusing on the extent of the Bureau's oversight of such activities as: (1) the selection of motor carriers and shippers for safety audits; (2) assessment of motor carriers' and shippers' safety compliance; (3) the correction of deficiencies iden-

tified by safety audits; and (4) a new program to provide grants for state safety enforcement activities.

Findings

GAO found that: (1) while the Bureau provides safety investigators with a carrier audit selection priority list, it does not require them to use it; (2) the priority list allows deviations for third-

party complaints, accidents involving carriers not on the list, or other unusual circumstances; (3) the Bureau's regional offices use different criteria and judgment in selecting carriers for audit; and (4) the Bureau has not established a similar priority list for shippers. GAO also found that: (1) there was a wide variance among the overall safety ratings recommended by the Bureau's investigators; (2) while investigators may be preparing ratings in accordance with

the established criteria, the Bureau has not analyzed the reasons for the differences; (3) there was a wide variance among actions taken by investigators after audits that resulted in unsatisfactory ratings; (4) the Bureau's regional offices do not always comply with processing standards to ensure timely processing of enforcement cases; (5) the Bureau does not have criteria for ensuring that assessed fines are consistent with the severity of violations found; (6) the Bureau and FHWA do not always adequately document justifications for assessed fines; and (7) the Bureau's organizational structure hampers the effective and uniform implementation of the safety program. In addition, GAO found that, for the grant program, the Bureau has not: (1) developed clear program goals; (2) defined federal and state roles and responsibilities; (3) established program information needs; or (4) developed program evaluation mechanisms.

Open Recommendations to Agencies

The Secretary of Transportation should direct the Administrator of FHWA to have the Bureau of Motor Carrier Safety directly monitor regional and field office implementation of the motor carrier selection list to ensure that carriers most in need of audit are being audited.

Status: Action not yet initiated. DOT has not yet prepared a response as required by 31 U.S.C. 720 or a written correction action plan as required by Office of Management and Budget (OMB) Circular A-50.

The Secretary of Transportation should direct the Administrator of FHWA to develop and provide guidance to the investigators that clearly stipulates what conditions need to exist for determining when carriers and shippers not in compliance with the federal safety regulations, including those with completed enforcement cases, should be reaudited.

Status: Action not yet initiated. DOT has not yet prepared a response as required by 31 U.S.C. 720 or a written corrective action plan as required by OMB Circular A-50.

The Secretary of Transportation should direct the Administrator of FHWA to develop a prioritized selection list for shippers and implement its use.

Status: Action not yet initiated. DOT has not yet prepared a response as required by 31 U.S.C. 720 or a written corrective action plan as required by OMB Circular A-50.

The Secretary of Transportation should direct the Administrator of FHWA to develop and provide criteria for safety investigators that identify specific conditions and factors to be used for rating individual parts of the regulations as well as for the overall ratings.

Status: Action not yet initiated. DOT has not yet prepared a response as required by 31 U.S.C. 720 or a written corrective action plan as required by OMB Circular A-50.

The Secretary of Transportation should direct the Administrator of FHWA to develop and provide criteria for investigators that specify the conditions or factors for determining and selecting a course of action to take following a safety audit.

Status: Action not yet initiated. DOT has not yet prepared a response as required by 31 U.S.C. 720 or a written corrective action plan as required by OMB Circular A-50.

The Secretary of Transportation should direct the Administrator of FHWA to establish procedures for monitoring adherence to the above-mentioned criteria, guidance, and procedures to ensure uniform implementation by regional offices and safety investigators.

Status: Action not yet initiated. DOT has not yet prepared a response as required by 31 U.S.C. 720 or a written corrective action plan as required by OMB Circular A-50.

The Secretary of Transportation should direct the Administrator of FHWA to

establish procedures for monitoring the processing of enforcement cases to include the time taken between the various stages in the penalty process, analyzing and comparing time taken to process civil assessment cases, following up when FHWA standards are not met, and taking the necessary corrective actions.

Status: Action not yet initiated. DOT has not yet prepared a response as required by 31 U.S.C. 720 or a written corrective action plan as required by OMB Circular A-50.

The Secretary of Transportation should direct the Administrator of FHWA to develop and provide to regional attorneys criteria for assessing fines that relate the fines to the relative risks and severity of the violations committed.

Status: Action not yet initiated. DOT has not yet prepared a response as required by 31 U.S.C. 720 or a written corrective action plan as required by OMB Circular A-50.

The Secretary of Transportation should direct the Administrator of FHWA to develop and provide to regional attorneys requirements for fully documenting justifications for assessing and negotiating fines.

Status: Action not yet initiated. DOT has not yet prepared a response as required by 31 U.S.C. 720 or a written corrective action plan as required by OMB Circular A-50.

The Secretary of Transportation should direct the Administrator of FHWA to develop a comprehensive federal program process, including: (1) establishing goals and objectives; (2) defining the respective federal and state roles; (3) establishing program information needs; (4) developing monitoring mechanisms; and (5) establishing how the program is to be evaluated on a national scale.

Status: Action not yet initiated. DOT has not yet prepared a response as required by 31 U.S.C. 720 or a written corrective action plan as required by OMB Circular A-50.

Other Transportation Need To Assess Federal Role in Regulating and Enforcing Pipeline Safety

RCED-84-102, 07/10/84

Background

Pursuant to a congressional request, GAO reviewed federal gas and hazardous liquids pipeline safety programs.

Findings

The Department of Transportation's (DOT) goal is to perform a comprehensive annual inspection of each pipeline operator under its jurisdiction. GAO found that, in 1983, DOT performed comprehensive inspections of only 24 percent of these operators. As of April 1984, DOT had 17 regional office inspectors, which GAO believes is insufficient to carry out the agency's inspection and enforcement responsibilities. State participation in pipeline inspection programs is voluntary; therefore, DOT cannot require the states to maintain their current level of inspection activity, assume responsibility for additional intrastate pipelines, or correct deficiencies in their programs. A number of pipeline facilities and commodities transported by pipeline not currently being regulated by DOT, including rural gas gathering lines, gas service lines, and hazardous liquids storage facilities, may need to be regulated depending on the severity of the associated safety problems. GAO believes that, despite current staffing and resource limitations, DOT can take

actions to make its inspection activities more efficient.

Open Recommendations to Agencies

The Secretary of Transportation should direct the Administrator, Research and Special Programs Administration (RSPA), to: (1) evaluate and, if the benefits outweigh the cost, establish and implement a mandatory quality assurance program for interstate pipeline operators; (2) complete and update its inspection workload by dividing all interstate gas and liquid operators into common inspection units and by including the master meter and LP gas operators that are under its jurisdiction; and (3) require Office of Operations and Enforcement regions to expand and refine the inspection workload and activity data they maintain and report to headquarters to include, for each category of operator, the number of inspection units subject to inspection and the number of units that have been inspected one or more times during the year, and a breakout of the number of inspections performed by type of inspection.

Status: Action in process.

The Secretary of Transportation should instruct the Administrator, RSPA, to: (1) gather and analyze the data necessary to determine whether there are sufficient hazards, involving personal injury or environmental damage, to warrant regulation of rural gas gathering lines, gas service lines, hazardous liquids storage facilities, and substances transported in liquefied form that are not presently regulated; and (2) take appropriate actions to amend the regulations and, in the case of rural gas gathering lines and gas service lines, propose the legislation needed to provide coverage of those additional pipeline facilities that warrant coverage.

Status: Action in process.

The Secretary of Transportation should direct the Administrator, RSPA, to develop and present to the congressional oversight and appropriations committees, alternatives to redefine the federal role and responsibilities for ensuring the safety of intrastate pipelines, including hazardous liquids pipelines. These alternatives should propose different combinations of responsibilities for intrastate operators not currently under a state's jurisdiction as well as defining the federal responsibility for assessing state agency programs.

Status: Action in process.

Other Transportation

Greater Use of Value Engineering Has the Potential To Save the Department of Transportation Millions in Construction Costs

RCED-85-14, 11/02/84

Background

GAO discussed the potential of value engineering (VE) to reduce costs and the extent that it is currently used in Department of Transportation (DOT) administrations with major construction programs.

Findings

GAO found that, although DOT does not have a policy requiring that VE be used in its construction programs, two of its administrations use this method to a limited extent. DOT believes that VE can produce savings, but it has not required its use mainly because it believes that VE may negatively affect other DOT objectives, such as providing grantees maximum flexibility to implement construction programs. GAO concluded that a flexible VE policy would be consistent with DOT objectives.

Open Recommendations to Agencies

The Secretary of Transportation should establish and implement a policy to require the Federal Highway Administration (FHWA), the Federal Aviation Administration (FAA), the Federal Railroad Administration (FRA), and the Urban Mass Transportation Administration (UMTA) to supplement their normal cost-reduction procedures for construction programs with a VE program. The policy should be flexible enough to recognize and address the operating differences among the administrations. In establishing the policy, the Secretary should require that criteria, such as a certain dollar threshold, for selecting projects to be valued engineered be established by the FAA, FHWA, and UMTA administrators.

Status: Action in process.

The Secretary of Transportation should establish and implement a policy to require FHWA, FAA, FRA, and UMTA to supplement their normal cost-reduction procedures for construction programs with a VE program. The policy should be flexible enough to recognize and address the operating differences among the administrations. In establishing the policy, the Secretary should require that VE be performed during the early stage of project design.

Status: Action in process.

The Secretary of Transportation should establish and implement a policy to require FHWA, FAA, FRA, and UMTA to supplement their normal cost-reduction procedures for construction programs with a VE program. The policy should be flexible enough to recognize and address the operating differences among the administrations. In establishing a policy, the Secretary should require that VE be performed in accordance with generally accepted VE principles, including the use of a multidisciplinary team and a VE job plan.

Status: Action in process.

The Secretary of Transportation should establish and implement a policy to require FHWA, FAA, FRA, and UMTA to supplement their normal cost-reduction procedures for construction programs with a VE program. The policy should be flexible enough to recognize and address the operating differences among the administrations. In establishing a policy, the Secretary should require that VE be performed either by qualified administration officials or by private firms.

Status: Action not yet initiated. In October 1985, DOT established a VE review committee from engineering and policy staffs of DOT headquarters, FAA, FHWA, MARAD and the Coast Guard. It will study VE policy and make recommendations to the Secretary of Transportation.

The Secretary of Transportation should establish and implement a policy to require FHWA, FAA, FRA, and UMTA to supplement their normal cost-reduction procedures for construction programs with a VE program. The policy should be flexible enough to recognize and address the operating differences among the administrations. In establishing a policy, the Secretary should require that follow-up procedures be established to ensure that approved VE recommendations are implemented.

Status: Action not yet initiated. In October 1985, DOT established a VE review committee from engineering and policy staffs of DOT headquarters, FAA, FHWA, MARAD and the Coast Guard. It will study VE policy and make recommendations to the Secretary of Transportation.

The Secretary of Transportation should establish and implement a policy to require FHWA, FAA, FRA, and UMTA to supplement their normal cost-reduction procedures for construction programs with a VE program. The policy should be flexible enough to recognize and address the operating differences among the administrations. In establishing a policy, the Secretary should require that a full-time VE program staff be appointed at the department level.

Status: Action not yet initiated.

Water Transportation

Management Improvement Could Enhance Enforcement of Coast Guard Marine Safety Programs

RCED-85-59, 08/15/85

Background

GAO reviewed the Coast Guard's management of its safety enforcement actions, specifically its Commercial Vessel Safety Program and its Port and Environmental Safety Program.

Findings

GAO found that the primary data source for deciding the Port and Environmental Safety Program's staffing requirements did not always show correct and consistent workload information. Furthermore, field and district officials placed little emphasis on verifying the reported information. Concerning the quality of the Coast Guard Marine Safety Information System, GAO found that: (1) data were not always accurately or consistently entered into the system; (2) Coast Guard headquarters had not provided specific guidance to the field units or conducted any oversight operations to ensure the integrity of data in the system; and (3) four units had not established adequate procedures for ensuring data quality. GAO also found that 10 of the 11 Coast Guard units which it analyzed were not maintaining a follow-up system to ensure that vessel deficiencies were corrected. In addition, GAO found that the Coast Guard failed to oversee National Cargo Bureau (NCB) inspection activities, and no guidelines had been developed as to what might constitute

adequate oversight. Finally, GAO found that 10 field units failed to specify all the items for which Coast Guard regulations require inspection.

Open Recommendations to Agencies

The Secretary of Transportation should direct the Commandant of the Coast Guard to issue guidance to field units prescribing methods to verify the accuracy and completeness of the Quarterly Activities Report. Such guidance could include a requirement that field units and district staffs selectively test and ensure that the data reported are accurate.

Status: Action not yet initiated. The Department of Transportation (DOT) has not yet responded to this report.

The Secretary of Transportation should direct the Commandant of the Coast Guard to: (1) determine the needed oversight of NCB activities performed on behalf of the Coast Guard; and (2) develop appropriate field unit procedures and reporting requirements similar to those being planned for the American Bureau of Shipping.

Status: Action not yet initiated. DOT has not yet responded to this report.

The Secretary of Transportation should direct the Commandant of the Coast Guard, to the extent that the Coast Guard determines necessary, to: (1) correct data base deficiencies in the port safety module; and (2) establish procedures to ensure that all future required data are entered accurately and consistently into the long-range Marine Safety Information System.

Status: Action not yet initiated. DOT has not yet responded to this report.

The Secretary of Transportation should direct the Commandant of the Coast Guard to establish procedures for the districts' marine safety divisions to periodically review the field units' processing of outstanding vessel deficiencies to ensure that they are following up and that corrective action is taken.

Status: Action not yet initiated. DOT has not yet responded to this report.

The Secretary of Transportation should direct the Commandant of the Coast Guard to develop a uniform checklist for use by all boarding teams conducting vessel examinations. Such a checklist should include all applicable vessel safety items specified in the Code of Federal Regulations, Coast Guard instructions, and the Coast Guard safety manual.

Status: Action not yet initiated. DOT has not yet responded to this report.

Veterans Benefits and Services

Hospital and Medical Care for Veterans Better Guidelines Could Reduce VA's Planned Construction of Costly Operating Rooms

HRD-81-54, 03/03/81

Background

The Veterans Administration (VA) is planning to spend more than \$1 billion to replace 10 of its medical centers. Each replacement center will have a surgical suite, which is among the most costly hospital departments to construct and operate.

Findings

In reviewing operating room utilization at centers that VA intends to replace, GAO found that, on the average, the 74 operating rooms at these centers were idle about 50 percent of the time that they were available for scheduled surgery. The current planning criterion used by VA calls for 1 operating room for every 28 surgical beds. The continued use of this criterion could result in overconstruction of operating rooms with resulting low utilization. In developing its criterion, VA did not recognize that not all patients

admitted to surgical beds undergo surgery. VA did not fully recognize the significant variation among medical centers in the type of surgical procedures performed and the length of time different surgical procedures take. Average operating times varied significantly among VA medical centers. Surgical procedures generally performed by medical school residents at affiliated centers took longer than similar procedures performed by VA staff at nonaffiliated centers. GAO developed a model for planning operating rooms which focused on the unique surgical workload characteristics of each VA center. It showed that VA could handle the surgical workload with 22 fewer operating rooms than planned using the present criterion, a potential \$3.5 million saving. VA assigned more operating room nurses than needed to handle the surgical workload due to this criterion, and savings could be realized if VA made use of less skilled personnel to do many of the nonprofessional tasks now handled by operating room nurses.

Open Recommendations to Congress

Congress should not approve any funding requests for new or replacement surgical suites in VA centers based solely on room-to-bed ratios, unless the planning is so far along that adjusting the surgical suite(s) planned would not be economically feasible.

Status: Action not yet initiated.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to develop staffing guidelines for operating room nurses based on the number of operating rooms needed to handle the surgical workload.

Status: Action in process. Estimated completion date: 01/86

Hospital and Medical Care for Veterans VA's Agent Orange Examination Program: Actions Needed To More Effectively Address Veterans' Health Concerns

HRD-83-6, 10/25/82

Background

In response to a congressional request, GAO reviewed Vietnam veterans' complaints regarding the Veterans Administration's (VA) Agent Orange program and related issues.

Findings

GAO found that, since 1978, more than 89,000 Vietnam veterans have been examined through VA services. Although the GAO veteran participant survey and investigation showed that the VA examinations were more thorough than the veterans perceived them to be, GAO believes that VA could reduce dissatisfaction and health concerns by providing more timely

and thorough examinations and by better dissemination of Agent Orange, health-related information to veterans. GAO reviewed disability compensation claim issues and noted that the unreliability of medical service records and the legal requirement for epidemiological studies of veterans exposed to Agent Orange suggest that the retroactive compensation period for claims should be changed.

Open Recommendations to Agencies

The Administrator of Veterans Affairs, through the Chief Medical Director, should require VA medical facilities to

include the Agent Orange examination program in the facilities' systematic internal review process.

Status: Action in process.

The Administrator of Veterans Affairs, through the Chief Medical Director, should develop a monograph on Agent Orange's potential for causing birth defects.

Status: Action in process.

**Hospital and Medical Care for Veterans
Opportunities To Reduce Fee-Basis Pharmacy Costs**

HRD-83-83, 09/27/83

Background

GAO reviewed the Veterans Administration's (VA) efforts to reduce the number and cost of prescriptions filled by private pharmacies on a VA-reimbursable fee-for-service basis.

Findings

GAO found that, in fiscal year 1982, VA paid private pharmacies about \$10.5 million in prescriptions for veterans with

service-connected disabilities. VA determined that only about 5 percent of the fee-basis prescriptions needed to be filled by private pharmacies. Such prescriptions cost VA about twice as much as prescriptions filled through VA pharmacies. GAO noted that, although VA is making progress in reducing the percentage of fee-basis prescriptions filled by private pharmacies, over 20 percent of those prescriptions were filled by private pharmacies at six facilities contacted by GAO.

Open Recommendations to Agencies

The Administrator of Veterans Affairs, through the Chief Medical Director, should direct VA clinics of jurisdiction to have pharmacists review fee pharmacy prescriptions to identify duplicate prescriptions, excessive quantities of drugs, and prescriptions that should have been filled by the VA pharmacy.

Status: Action in process. Estimated completion date: 12/85

**Hospital and Medical Care for Veterans
Opportunities To Increase VA Medical Care Cost Recoveries**

HRD-84-31, 02/13/84

Background

The Veterans Administration (VA) generally provides free medical care to eligible veterans. However, when a veteran requires treatment of injuries suffered on the job or as the result of another person's negligent actions, VA can recover the cost of the medical care provided from the responsible third party. VA can also recover the cost of care provided to nonveterans in an emergency and to patients later found to be ineligible for VA care. GAO reviewed VA methods for establishing medical care cost recovery rates. Specifically, GAO sought to determine whether: (1) the VA medical/surgical per diem rate was adequate to recover the cost of care provided to acute care patients; (2) the national average per diem

rate generated the same total charges as would individual facility rates; and (3) the rates were revised in a timely manner.

Findings

GAO found that VA use of two national average per diem rates for billing purposes resulted in: (1) an undercharging of acute medical/surgical patients and those treated at high-cost facilities; and (2) an overcharging of patients treated at low-cost facilities. GAO also determined that: (1) revised VA per diem rates did not go into effect until after the start of the fiscal year, which reduced VA billing amounts; (2) VA medical centers used various methods to develop sharing agreement rates, some of which appeared to measure costs better than others; (3)

some standard indirect costs included in VA national per diem rates were not included in any of the sharing agreement rates; and (4) sharing agreements were not always renewed in a timely manner.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should, through the Chief Medical Director, provide more specific guidance on costs to be included in private sector sharing agreement rates to ensure that they are consistent with factors used in developing per diem rates.

Status: Action in process. Estimated completion date: 01/86

Hospital and Medical Care for Veterans Improvements Needed in Quality Assurance for Open Heart Surgery

HRD-84-22, 02/24/84

Background

GAO reviewed the policies, procedures, and practices of the Veterans Administration's (VA) Department of Medicine and Surgery (DM&S) for assessing and ensuring the quality of open heart surgery programs at VA medical centers.

Findings

DM&S relies on an expert committee of VA and non-VA physicians to assess the quality of open heart surgery programs and to identify problem open heart sur-

gery programs. However, GAO found that DM&S has not required this committee to follow its guidelines regarding when it would assess a program's quality and how it would communicate the results to the medical centers. GAO believes that, since the guidelines are not always followed, the committee's conclusions on the quality of certain programs may be questionable and inaccurate. DM&S also relies on the medical centers to ensure that quality care is provided in their open heart surgery programs by using problem-oriented, systematic internal reviews, among other techniques.

Open Recommendations to Agencies

The Chief Medical Director of DM&S should require the Director of the Surgical Service to issue specific directives stating when the Cardiac Surgery Consultants Committee is to conduct paper audits, what the audits are to include, and how the results are to be communicated to DM&S and the individual open heart surgery programs.

Status: Action in process. Estimated completion date: 12/85

Hospital and Medical Care for Veterans VA Central Office Needs To Exercise Better Oversight of Cardiac Pacemaker Recalls

HRD-84-33, 04/16/84

Background

GAO reviewed the actions taken by the Veterans Administration (VA) in response to recalls of defective pacemakers.

Findings

The Food and Drug Administration has the authority to ban or recall medical devices, including pacemakers, that present "unreasonable risks or substantial harm," and it informs VA when pacemakers have been recalled. GAO found that, at the VA centers it visited, pacemaker recalls were not effectively managed. GAO learned that the VA computerized pacemaker registry indicated that some recalled pacemakers are still implanted in VA patients. VA guidance regarding pacemakers deals primarily with the removal of recalled pacemakers from stock and has not defined when a

recalled pacemaker should be considered critically unreliable. GAO also questioned the accuracy, completeness, and reliability of the computerized pacemaker registry and, therefore, its current usefulness.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to establish criteria, as part of program guidance, to define when a recalled pacemaker should be considered critically unreliable.

Status: Action in process. Estimated completion date: 06/86

The Administrator of Veterans Affairs should direct the Chief Medical Director to revise program guidance to require that medical centers: (1) inform patients of pacemaker recalls unless the reasons for not informing the patient are documented in the medical record; and (2) document the actions taken in response to the recall in the patients' medical records.

Status: Action in process. Estimated completion date: 06/86

The Administrator of Veterans Affairs should direct the Chief Medical Director to identify all VA patients using recalled pacemakers and ensure that: (1) they have been informed of the recall or that the reasons for not informing the patient are documented in the patients' medical records; and (2) all actions taken in response to the recalls are documented in affected patients' medical records.

Status: Action in process. Estimated completion date: 06/86

The Administrator of Veterans Affairs should direct the Chief Medical Director to establish a timetable for development of the clinical pacemaker registry and,

in the interim, take steps to improve the completeness and reliability of data contained in the existing registry.

Status: Action in process.

The Administrator of Veterans Affairs should direct the Chief Medical Direc-

tor to establish a program to monitor the actions taken by medical centers in response to pacemaker recalls.

Status: Action in process. Estimated completion date: 06/86

Hospital and Medical Care for Veterans VA Needs a Systematic Approach To Assess the Management of Its Outpatient Clinics

HRD-85-15, 12/07/84

Background

GAO reviewed the management of 15 Veterans Administration outpatient clinics to determine the extent to which Department of Medicine and Surgery (DM&S) officials had established performance standards, collected needed data, and provided the incentives necessary to assess the efficiency of individual clinics.

Findings

GAO found that: (1) DM&S had standards by which the performance of its outpatient clinics was to be assessed, but clinic managers viewed these standards as outdated, simplistic, and too lenient to use for measuring their clinics'

efficiency; (2) DM&S routinely gathered and reported data on clinic performance, but clinic managers experienced problems with the data's accuracy; (3) DM&S had a budget process and a system for evaluating medical center director performance that emphasized the volume of outpatients treated and did not provide incentives for the directors to assess their clinics' performance; and (4) regional directors were responsible for monitoring clinic performance, but they were not doing so effectively. GAO noted that DM&S has begun several actions to correct these problems, including establishing staffing standards for outpatient care activities, implementing recommendations to improve data reliability, and initiating a new resource allocation system to provide an incentive for managers to ensure that facilities are operating efficiently.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the DM&S Chief Medical Director to: (1) identify, in consultation with central office, regional, and outpatient clinic officials, performance indicators needed to measure outpatient clinic efficiency; (2) establish, and update as necessary, generally accepted standards for indicators that central office and regional management officials can use to identify clinics needing management attention; and (3) require that regional directors substantiate, on a clinic-by-clinic basis, the reason(s) for substantial deviations from the revised performance standards and routinely report such information to the responsible central office officials.

Status: Action in process. Estimated completion date: 10/86

Hospital and Medical Care for Veterans Legislation To Authorize VA Recoveries From Private Health Insurance Would Result in Substantial Savings

HRD-85-24, 02/26/85

Background

GAO conducted a review to determine the potential for insurance recovery of a portion of the Veterans Administration's (VA) costs incurred for the treatment of veterans' non-service-connected medical conditions. As part of the study, GAO sent a questionnaire to a random sample

of veterans who were discharged from VA hospitals and asked whether they were covered under a health insurance policy.

Findings

GAO found that about 18 percent of the veterans who answered the ques-

tionnaire had private health insurance. The care provided such veterans cost VA between \$188 million and \$284 million. These projections are conservative due to veterans who did not respond to the questionnaire and the exclusion of psychiatric care patients. GAO estimated that, if insurance companies reimbursed VA based on actual lengths of stay in VA

hospitals, VA would recover from \$150 million to \$284 million. If insurance companies limited reimbursement to VA based on community hospital lengths of stay, VA could have recovered at least \$98 million to \$160 million. In addition, VA recoveries could have been increased to the extent that the costs incurred for outpatient care of veterans were covered by private health insurance. GAO estimated that the increased administrative costs should be less than 1.8 percent of the recoveries,

and insurance companies should incur increased administrative costs of less than 6 percent of VA recoveries. Insurance companies would likely pass on these increased benefit payments and administrative costs to their policyholders. This should increase health insurance premiums by a few dollars per year for each policyholder. Furthermore, based on its review of case law, GAO believes that the insurance industry's rights would be adequately protected under proposed law

and that proposed recovery legislation would be legal.

Open Recommendations to Congress

Congress should enact legislation similar to S. 759 to enable VA to recover the costs of non-service-connected care provided to privately insured veterans.

Status: Action in process.

Hospital and Medical Care for Veterans Better Patient Management Practices Could Reduce Length of Stay in VA Hospitals

HRD-85-52, 08/08/85

Background

GAO reviewed Veterans Administration (VA) hospitals to determine whether VA: (1) was effectively managing its medical and surgical patients; and (2) could more efficiently reduce the length of stay for these patients.

Findings

GAO found that, although the VA central office issued policy guidelines which recommended that more efficient patient management practices be used and recognized throughout the medical community, its hospital managers have not fully implemented them; therefore, many patients are hospitalized longer than necessary. GAO also found that excessive lengths of stay were attributable to surgery scheduling and times scheduled for conducting and providing the results of diagnostic test and consultations because the VA central office has not established performance expectations in those areas. Performance of diagnostic tests before admission, surgery schedules that keep delays to a minimum, and early discharge planning would contribute to more efficient patient management. VA has two methods to monitor whether efficient patient management practices are being used in its hospitals: (1) the utilization

review process performed at the hospital level; and (2) the Systematic External Review program conducted at the central office. However, neither method has been used effectively to reduce the length of patient stays because review personnel sometimes had little or no medical background and the criteria and scope used were often inappropriate. VA believes that implementation of its new resource allocation system will move hospitals toward shorter lengths of stay, more cost-efficient care, greater staff productivity, and greater reliance on alternatives to hospital care.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to revise current policies to place greater emphasis on reducing surgery delays and turnaround times for diagnostic consultations, tests, and procedures. In making these revisions, the Chief Medical Director should make the current policies and goals more specific, using such guidelines as those developed by the American Hospital Association.

Status: Action in process.

The Administrator of Veterans Affairs should direct the Chief Medical Director to develop reports at the VA central office and at individual hospitals to identify length of stay problems and those responsible for solving them. These reports could include such analyses as: (1) a comparison of length of stay by selected diagnosis categories at each VA hospital; (2) a comparison of length of stay for each physician's patients in a particular medical or surgical specialty; and (3) a list of patients who have been in the hospital for more than 30 days.

Status: Action in process.

The Administrator of Veterans Affairs should direct the Chief Medical Director to require hospitals to use explicit patient screening criteria, such as those addressing intensity of care or severity of illness, to evaluate the appropriateness of the level of treatment.

Status: Action in process.

The Administrator of Veterans Affairs should direct the Chief Medical Director to require hospitals to staff their utilization review function with qualified people, including reviewers who have a medical background.

Status: Action not yet initiated.

The Administrator of Veterans Affairs should direct the Chief Medical Director to require hospitals to conduct all three types of review, concurrent, retrospective, and focused, as part of their utilization review program. Concurrent reviews should be conducted shortly after the patient's admission and periodically throughout the patient's stay. Retrospective reviews should be conducted after patients have been discharged so that the hospital can ensure whether such patient management practices as preadmission testing and discharge planning were carried out. Focused reviews should

be conducted either concurrently or retrospectively.

Status: Action not yet initiated.

The Administrator of Veterans Affairs should direct the Chief Medical Director to include criteria on the key elements of utilization review in the Standards, Criteria, Evaluative Algorithms, and Measuring Instruments. The Systematic External Review program teams should use the criteria when evaluating each hospital's utilization review program.

Status: Action not yet initiated.

The Administrator of Veterans Affairs should direct the Chief Medical Director to increase the scope of the Systematic External Review program by including evaluations of a random sample of patient case files at each hospital. These evaluations would help measure the effectiveness of hospitals' efforts to minimize lengths of stay and would also help measure the effectiveness of hospitals' utilization review programs. To identify potential length of stay problems, the external review team can use reports and data such as those described above.

Status: Action not yet initiated.

Hospital and Medical Care for Veterans VA Needs Better Control Over Its Payments to Private Health Care Providers

HRD-85-49, 08/28/85

Background

The Veterans Administration (VA) provides health care to most veterans at its own facilities; however, when circumstances prevent veterans from traveling to VA facilities, VA authorizes them to obtain care from private health care providers. GAO evaluated the VA system for determining how much to pay private health care providers.

Findings

Under VA reimbursement criteria, the maximum reimbursable fee for any medical procedure should be at or above the middle of the range of fees normally charged but should not approach the top of the range. GAO found that: (1) of the maximum fees it reviewed, most were either above or below the range under

the VA criteria; (2) 23 percent of the bills it examined were for fees outside the approved range; and (3) it could not determine what the total dollar effect would be if all payments were within the criteria. GAO also found that the VA system is outdated and inadequate because VA has not: (1) updated its list of medical procedures, so clinics must determine for themselves the usual fee for such procedures; (2) recognized changes in usual fees that come about because of improved technology; (3) converted to the standard system for coding medical procedures; or (4) established a system to establish conversion factors that result in appropriate fees. In addition, GAO found that VA could improve its fee schedule system by adopting criteria used by the Medicare program and by the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS).

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct the Chief Medical Director to use the CHAMPUS fee schedules as the temporary basis for paying private physicians and other health care providers for care provided to eligible veterans.

Status: Action in process.

The Administrator of Veterans Affairs should direct the Chief Medical Director to use the more precise Medicare fee schedules once the automated claims processing system is fully developed.

Status: Action in process.

Income Security for Veterans Legislation Needed To Prevent Loss of Millions From Mentally Incompetent Veterans' Estates

HRD-82-1, 02/10/82

Background

Congressional concern was expressed that mentally incompetent veterans' estates accumulated from Veterans Administration (VA) benefits are being inherited by relatives other than the veterans' immediate families. GAO reviewed active and closed cases of veteran beneficiaries with court-appointed guardians, legal custodians, and institutional award arrangements at 4 of the 58 VA regional offices to determine the extent to which such situations have occurred and could occur in the future.

Findings

GAO estimated that about 3,000 estates of living incompetent veterans comprising about \$56 million in veterans' benefits are unprotected from future claims by relatives other than spouses, children, and dependent parents. If the results are representative of the situation nationwide,

an estimated 29,000 such estates comprised of about \$500 million accumulated from veterans' benefits are currently unprotected from claims by such relatives. Under current law, VA will be unable to recover this money. In 1959, Congress passed legislation limiting the inheritance of incompetent veterans' estates to spouses, children, and dependent parents. This legislation provides that, in the absence of such relatives, VA benefits accumulated in these estates will revert to the federal government. However, because the restrictions do not apply to the estates of most mentally incompetent veterans, other relatives have made successful claims totalling millions. In reviewing VA estate accounting procedures, GAO found that many regional offices apply all veterans' expenses first to VA benefits rather than allocating the expenses to each revenue source in proportion to its contributions to the veterans' estates. This method underestimates the VA contribution to the estates.

Open Recommendations to Congress

Congress should amend 38 U.S.C. 3202 by adding a new subsection (f) as follows: any funds hereafter deposited in the hands of a fiduciary appointed by a state court or VA derived from benefits payable to mentally incompetent or insane veterans under laws administered by VA, which under the law of the state wherein the beneficiary had his last legal residence would descend and be distributed to persons other than the surviving spouse, children, or dependent parents of the beneficiary, there being no such survivors, shall not be paid to such persons but instead shall revert to the United States and shall be returned by such fiduciary, or by the personal representative of the deceased beneficiary, less legal expenses of any administration necessary to determine that a reverter is in order, to VA, and shall be deposited to the credit of the applicable revolving fund, trust fund, or appropriation.

Status: Action in process.

Income Security for Veterans Dual Compensation Is Paid When Military Reservists Do Not Waive VA Disability Benefits

HRD-84-13, 11/18/83

Background

GAO reviewed Department of Defense (DOD) and Veterans Administration (VA) efforts to prevent dual compensation from being paid to reservists who receive VA disability benefits.

Findings

Although the agencies have taken actions within recent years to better identify reservists who should be waiving VA benefits, about 65 percent of these reservists continue to receive dual compensation. GAO estimated that in fiscal year 1982 VA paid about \$2.2 million in benefits that should have been waived. GAO suggests that increased coordina-

tion between DOD and VA is needed to prevent dual compensation payments.

Open Recommendations to Agencies

The Administrator of Veterans Affairs should direct that VA, for the next match, review its records for all paid reservists identified as receiving compensation to identify missing, improperly processed, and unprocessed waivers.

Status: Action in process.

The Administrator of Veterans Affairs should direct that VA establish an annual reservist waiver indicator in its automated records when waiver actions

are processed so that missing waivers can be identified in subsequent tape matches.

Status: Action in process.

The Administrator of Veterans Affairs should direct that VA solicit waivers from

reservists who have not already submitted them and advise DOD when reservists do not submit waivers.

Status: Action in process.

Income Security for Veterans VA Can Reduce Excess Disability Payments by Improving Pay Data Exchange With the Military Services

HRD-85-38, 05/29/85

Background

GAO conducted a review to determine whether the Veterans Administration (VA) and the Department of Defense (DOD) have adequate internal controls to prevent VA from paying veterans' disability benefits to: (1) disabled veterans who return to active duty; and (2) disabled veterans whose separation pay has not been recouped.

Findings

GAO found that, while VA instructs veterans to contact a VA regional office if they return to active duty, VA has not determined whether veterans comply with the reporting requirement. GAO compared data from the Defense Manpower Data Center (DMDC) with VA data and identified over 1,000 individuals who returned to active duty without notifying VA. In some of the cases, returning veterans did not mention their VA disability payments on reenlistment applications, but there were also cases where military recruiters did not notify VA. In addition, GAO found that VA does not always recoup separation payments before paying disability benefits because: (1) DOD separation processing offices do not always provide separation pay data to VA; and (2) VA staff either disregard separation data or do not realize that recoupment efforts have been unsuccessful. However, since VA can only withhold disability payments up to the amount of a veteran's monthly benefit, it may take years to recoup improperly paid funds.

Open Recommendations to Agencies

The Secretary of Defense should require DMDC to perform an annual match of the active duty and VA disability files to identify persons who received active duty and VA disability benefits concurrently in 1984 and conduct periodic updates throughout the year. The results of these matches should be edited to remove inaccurate data before providing them to VA.

Status: Action in process.

The Secretary of Defense should require military services to reinstruct recruiters on the procedures for notifying VA when disabled veterans reenlist.

Status: Action in process.

The Administrator of Veterans Affairs should require the Director, Department of Veterans Benefits, to follow agency appeal procedures for all 1,060 cases GAO identified on the 1982 and 1983 tape matches and, as appropriate, suspend disability benefits and compute overpayments.

Status: Action in process. Estimated completion date: 02/86

The Administrator of Veterans Affairs should require the Director, Department of Veterans Benefits, to follow agency appeal procedures and, as appropriate, suspend disability benefits and compute overpayments on veterans identified by DOD as receiving active duty and VA disability benefits concurrently on the 1984 and future year tape matches.

Status: Action in process. Estimated completion date: 02/86

The Administrator of Veterans Affairs should require the Director, Department of Veterans Benefits, to submit to DMDC periodic updates of its disability tape that will identify all veterans added to the benefit rolls during the year.

Status: Action in process.

The Secretary of Defense should require that all military finance centers send quarterly separation pay data to DMDC starting with fiscal year 1984 data and have DMDC provide the data to VA.

Status: Action in process.

The Administrator of Veterans Affairs should require the Director, Department of Veterans Benefits, to continue recoupment on cases identified by GAO, review other cases in the 1983 DOD universes to detect errors, and initiate recoupment if it has not occurred.

Status: Action in process. Estimated completion date: 02/86

The Administrator of Veterans Affairs should require the Director, Department of Veterans Benefits, to enter quarterly separation pay data from DOD into its beneficiary record system and place a reminder on the disability award screen to show when the veteran received separation pay and alert regional staff about recoupment.

Status: Action in process.

The Administrator of Veterans Affairs should require the Director, Department of Veterans Benefits, to recoup the ad-

ditional \$385,000 on the 64 separation payment cases GAO identified where the recoupment balance was understated.

Status: Action in process. Estimated completion date: 02/86

Veterans Education, Training, and Rehabilitation Legislation Plus Aggressive Action Needed To Strengthen VA's Debt Collection

HRD-81-5, 02/13/81

Background

GAO was asked to study the feasibility of resuming collection action on education assistance overpayments written off as uncollectible by the Veterans Administration (VA) through the use of generally accepted private-sector debt collection practices. Special attention was given to the reporting of delinquent and terminated accounts to commercial credit bureaus as a means of motivating veterans to repay their debts to the government.

Findings

GAO obtained a random sample of commercial credit reports on veterans whose

accounts had been terminated as uncollectible and found that most of the veterans were employed, had an established history of paying their private-sector creditors, and had private-sector lines of credit equal to or greater than the amounts owed to VA. Several factors have hampered VA debt collection efforts and contributed to a large volume of educational assistance overpayment accounts terminated in recent years. GAO believes that the most significant problem is that veterans have been able to ignore the demands of VA for repayment with little or no fear of the adverse actions which would normally result from failure to pay debts owed to private-sector creditors.

Open Recommendations to Agencies

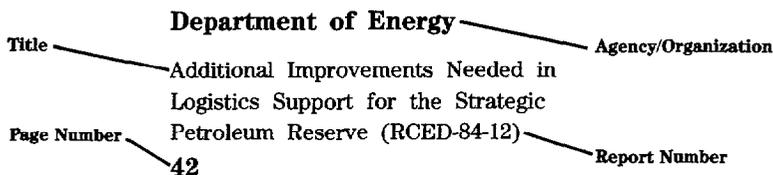
The Administrator of Veterans Affairs should implement immediately the debt collection provisions of P.L. 96-466 which: (1) permit VA to report delinquent and terminated accounts to commercial credit bureaus; (2) give VA attorneys the authority to litigate debt collection cases; and (3) require VA to charge interest and recover administrative collection costs on debts owed to VA.

Status: Action in process. Estimated completion date: 02/86

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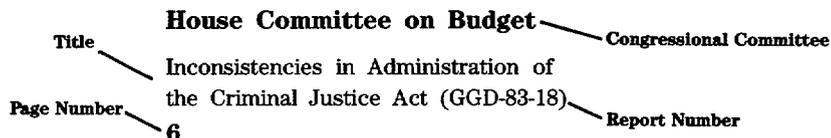
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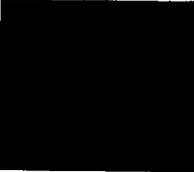
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